

**EXHIBIT 6**

**Sallee Deposition Transcript**

1                   UNITED STATES BANKRUPTCY COURT  
2                   EASTERN DISTRICT OF MICHIGAN  
3   In re    )  
4    ) Chapter 9  
5   CITY OF DETROIT, MICHIGAN,   ) Case No. 13-53846  
6   Debtor.    ) Hon. Steven W. Rhodes  
7

8                   The videotaped deposition of CAROLINE  
9   SALLEE, called for examination pursuant to the  
10   Rules of Civil Procedure for the United States  
11   District Courts pertaining to the taking of  
12   depositions, taken before GINA M. LUORDO, a notary  
13   public within and for the County of Cook and State  
14   of Illinois, at 77 West Wacker Drive, Suite 3500,  
15   Chicago, Illinois, on the 24th day of July, 2014,  
16   at the hour of 9:04 a.m.

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24   Reported by: Gina M. Luordo, CSR, RPR, CRR  
25   License No.: 084-004143

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1       THE VIDEOGRAPHER: My name is Thomas Scheckel,
2       certified legal video specialist in association
3       with Elisa Dreier Reporting Corp. located at
4       950 Third Avenue, New York, New York. I'm the
5       videographer on July 24, 2014 for the recording of
6       the deposition of Caroline Sallee being taken at
7       77 West Wacker, Chicago, Illinois at the time of
8       9:04 a.m. In re City of Detroit, debtor, filed in
9       the U.S. Bankruptcy Court, Eastern District of
10   Michigan, Case No. 13-53846
11       Will counsel please identify themselves
12       for the record beginning with plaintiff's counsel.
13       MR. SMITH: Doug Smith for Syncora.
14       MR. STEWART: Jeffrey Stewart, Chris DiPompeo
15       and Sarah Hunger of Jones Day for the City of
16       Detroit and for the witness.
17       MR. ALBERTS: Sam J. Alberts from Dentons on
18       behalf of the Official Committee of Retirees.
19       THE VIDEOGRAPHER: Will counsel on the phone
20       please identify themselves.
21       MR. HOSLER: William E. Hosler from Williams,
22       Williams, Rattner & Plunkett on behalf of FGIC.
23       THE VIDEOGRAPHER: Will the reporter please
24       identify herself and swear in the witness.
25       THE COURT REPORTER: Gina Luordo.

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9
1       (Whereupon, the witness was
2       sworn.)
3       MR. SMITH: Good morning, Ms. Sallee. Have you
4       ever been deposed?
5       THE WITNESS: No.
6       MR. SMITH: You know that I'm going to ask you
7       a series of questions today, correct?
8       THE WITNESS: Correct.
9       MR. SMITH: And you know that if you don't
10   understand any of my questions, you'll feel free to
11   ask me to clarify them, correct?
12       THE WITNESS: Correct.
13       CAROLINE SALLEE,
14       having been first duly sworn, was examined and
15       testified as follows:
16       EXAMINATION
17       BY MR. SMITH:
18       Q. Mr. Stewart said, I think, in the opening
19       that he was here on behalf of the City and on
20       behalf of you. Do you recall that?
21       A. Yes.
22       Q. Do you understand that you have an
23       attorney-client relationship with Mr. Stewart?
24       A. Yes.
25       Q. And has Ernst & Young retained Mr. Stewart

1 on your behalf to represent you today, if you know?  
2 A. I don't know.  
3 Q. You're functioning, I guess -- there are  
4 multiple Ernst & Young witnesses who have filed  
5 expert reports in the case. You're aware of that,  
6 correct?  
7 A. Yes.  
8 Q. And I want to try to figure out kind of  
9 your role with respect to these other witnesses,  
10 okay?  
11 A. Okay.  
12 Q. You're holding yourself out as an expert,  
13 I guess, in tax policy; is that correct?  
14 A. So I'm an expert in the real and personal  
15 property taxes for the General Fund for the City of  
16 Detroit.  
17 Q. You're not holding yourself out as an  
18 expert in urban policy, correct?  
19 A. Correct.  
20 Q. You're not an expert in health benefits?  
21 A. Correct.  
22 Q. You're not an expert on government?  
23 A. Correct.  
24 Q. You're not an expert on blight reduction?  
25 A. Correct.

10  
1 A. Correct.  
2 Q. You're not an expert on the state  
3 government or the Michigan government, correct?  
4 A. Correct.  
5 Q. Not an expert on casinos or wagering  
6 revenue?  
7 A. Correct.  
8 Q. Not an expert on wagering tax revenue?  
9 A. Correct.  
10 Q. Not an expert on art valuation?  
11 A. Correct.  
12 Q. Not an expert on pensions?  
13 A. Correct.  
14 Q. Not an expert on government grants?  
15 A. Correct.  
16 Q. You're not an expert on information  
17 technology?  
18 A. No.  
19 Q. You're not an expert on transportation  
20 systems?  
21 A. Correct.  
22 Q. And you wouldn't hold yourself out as an  
23 expert in accounting?  
24 A. Correct.  
25 Q. You're not an expert in financial

11  
1 Q. You're not an expert on property  
2 assessment?  
3 A. I'm not an expert on property assessment.  
4 Q. And you've never assessed property before,  
5 correct?  
6 A. That's correct.  
7 Q. You're not an expert in property tax  
8 collection?  
9 A. That's correct.  
10 Q. Not an expert on real estate valuation?  
11 A. Correct.  
12 Q. Never done a real estate valuation before?  
13 A. That's correct.  
14 Q. Never been involved in property tax  
15 collection before, correct?  
16 A. By understanding the mechanisms of  
17 property tax collections, I understand those, but  
18 in terms of an expert in how it's being collected?  
19 Logistics?  
20 Q. Well, I'm asking more of a factual  
21 question. Have you ever personally been involved  
22 in collecting property taxes before?  
23 A. No, I have not.  
24 Q. You're not holding yourself out as an  
25 expert in real estate in general, correct?

13  
1 analysis?  
2 A. Correct.  
3 Q. You are not an expert on Chapter 9  
4 bankruptcy?  
5 A. Correct.  
6 Q. You're not holding yourself out as an  
7 expert on state revenue sharing?  
8 A. So I am holding myself out as an expert on  
9 state revenue sharing for the City of Detroit.  
10 Q. Have you ever been involved in state  
11 revenue sharing before?  
12 A. What do you mean by involved?  
13 Q. I mean, has there ever been any work that  
14 you've done in the area of state revenue sharing  
15 before?  
16 A. Any work? So I've analyzed how the State  
17 of Michigan does their revenue sharing, and I've  
18 looked at distribution to certain counties, cities,  
19 townships. So in that capacity, I understood how  
20 it's done and in this case, how the revenue was  
21 going to the City of Detroit.  
22 Q. Is the only work you've done on state  
23 revenue sharing for purposes of this case?  
24 A. No.  
25 Q. What was the other work you've done?

1       A. So I've done some work for the City of  
2 Flint, Michigan and then looking at how revenue  
3 sharing worked for past clients at my old job.

4       Q. What was that job?

5       A. I worked for Anderson Economic Group.

6       Q. And did you do work on Michigan revenue  
7 sharing or other states' revenue sharing?

8       A. Just Michigan.

9       Q. Okay. And you understand that the state  
10 has significantly cut its revenue sharing to all  
11 the cities in Michigan in recent years, correct?

12      A. I understand that Michigan revenue sharing  
13 has gone down.

14      Q. And it's gone down by hundreds of millions  
15 of dollars to Detroit, correct?

16      A. I wouldn't say hundreds of millions of  
17 dollars. So overall Michigan's revenue sharing has  
18 gone down, and Detroit has had fluctuations. So in  
19 any given year, it's gone up and down.

20      Q. Well, there have been analyses, though,  
21 that have showed that the cuts in recent years have  
22 cost Michigan -- I mean cost the City of Detroit  
23 more than \$700 million. You're aware of that,  
24 correct?

25      A. I can't speak to that because I don't have

1 sharing is a problem for them, yes.

2       Q. And the City of Flint, when it was in  
3 fiscal distress, what activities did it try to  
4 engage in to improve its fiscal condition?

5       A. I can't speak to that.

6       Q. What specifically were you doing for the  
7 City of Flint?

8       A. So this is a public case, so I feel I can  
9 talk about it. So we were retained by the City of  
10 Flint to look at their revenue forecasting for the  
11 next five years.

12      Q. And so the City of Flint did revenue  
13 forecasting over a period of five years?

14      A. That's right.

15      Q. And why were you doing that? Why were you  
16 looking at the revenue forecasting?

17      A. Because we were asked to.

18      Q. I mean, why did they want you to, though?  
19 What was --

20      A. My understanding is that EY had -- was  
21 hired, and I was brought in from the restructuring  
22 team to look at the revenue forecasting, and they  
23 were asked by the State of Michigan to look at  
24 their -- both their expenses and their --  
25 forecasted expenses and revenues, and the State

1 an analysis in front of me.

2       Q. I mean, do you know how much cumulatively  
3 the cuts in the last decade to revenue sharing have  
4 cost the City of Detroit?

5       A. I do not know that.

6       Q. You know that many cities, though, are  
7 under financial distress in Michigan because of the  
8 cuts to revenue sharing, correct?

9       A. I can't speak about other cities and  
10 townships.

11      Q. Well, the City of Flint, was that city  
12 under financial distress?

13      A. The City of Flint has been under financial  
14 distress, yes.

15      Q. And is one of the causes of financial  
16 distress of the City of Flint the cut in state  
17 revenue sharing?

18      A. I would say it's been one of the factors.

19      Q. And one of the factors causing Detroit's  
20 fiscal distress is the cut to state revenue  
21 sharing, correct?

22      A. One of the causes --

23      Q. Yes.

24      A. -- you're asking? I would say for the  
25 City of Detroit, reductions to state revenue

1 wanted them just to do one more check.

2       Q. And was the City of Flint put under an  
3 emergency manager as a result of fiscal distress?

4       A. They have been under emergency financial  
5 management, yes.

6       Q. And do you know what actions the emergency  
7 manager has taken to alleviate financial distress?

8       A. I do not.

9       Q. Do you know if Flint has improved its  
10 fiscal situation at all?

11      A. I do not.

12      Q. Do you know -- as far as you know, did the  
13 City of Flint ever consider going into Chapter 9 as  
14 a result of fiscal distress?

15      A. I don't know.

16      Q. You're not aware of that ever coming up?

17      A. I don't know if they've ever talked about  
18 it.

19      Q. During your interactions with the City of  
20 Flint, though, they never suggested to you that  
21 they would go into Chapter 9 to alleviate fiscal  
22 distress, correct?

23      A. So during my conversations with the City,  
24 we never talked about whether or not they would go  
25 into bankruptcy.

1 Q. And why was the State of Michigan having  
 2 the City look at its revenues again?

3 MR. STEWART: Objection.

4 THE WITNESS: I don't know.

5 BY MR. SMITH:

6 Q. Do you know if the city of -- City of  
 7 Flint cut costs and services in order to address  
 8 fiscal distress?

9 A. I don't know.

10 Q. Do you know if -- I mean, you were doing  
 11 the revenue forecasting, I guess. Do you know if  
 12 the City of Flint raised taxes in order to address  
 13 its fiscal distress?

14 A. So I was doing forecasting, so in terms  
 15 of -- I don't know what they had done in the past.  
 16 Going forward, we looked at the various taxes and  
 17 whether or not things were going to expire at  
 18 certain times, so it was all under current law,  
 19 things that had been planned so...

20 Q. What kind of things did the City of Flint  
 21 plan in terms of taxes for raising revenue?

22 A. They -- so I looked at their property and  
 23 income taxes and state revenue sharing. They had  
 24 certain millages that were going to expire at  
 25 certain times, and so we just took that into

1 Detroit bankruptcy?

2 A. No.

3 Q. The -- did the City of Flint receive,  
 4 other than the revenue sharing, any special  
 5 assistance from the State in terms of monetary  
 6 payments?

7 A. I don't know.

8 Q. Before the City of Detroit matter, though,  
 9 had you ever forecast state revenue sharing  
 10 payments?

11 A. Before the Detroit matter, no.

12 Q. In Flint, are there -- other than -- one  
 13 difference between your projections in the City of  
 14 Flint and the City of Detroit matter is the length  
 15 of time over which the projection occurs, correct?

16 A. There were different time periods that I  
 17 was asked to look at, yes.

18 Q. And you were asked to look at a shorter  
 19 period for Flint, Michigan, correct?

20 A. I was asked to look at five years.

21 Q. Which is shorter than --

22 A. Which is shorter than 10, yes.

23 Q. Are there other differences in your  
 24 methodology for the Flint projections compared to  
 25 Detroit?

1 account in our forecast, made sure we were  
 2 following what was the current law.

3 Q. Were there increases in taxes that were  
 4 planned or increases in tax revenues that you  
 5 incorporated into your Flint revenue --

6 A. So anything that was in current law we  
 7 incorporated.

8 Q. And what would that include?

9 A. Off the top of my head, I can't remember.

10 Q. When did you do the analysis for Flint?

11 A. I did it in February of 2014.

12 Q. You mentioned that you can talk about this  
 13 because it's public, correct?

14 A. Correct.

15 Q. Are there nonpublic engagements that  
 16 Ernst & Young has been engaged for for cities in  
 17 Michigan?

18 A. Not that I'm aware of.

19 Q. Are there other nonpublic engagements that  
 20 you've been engaged in by any cities?

21 A. Nonpublic engagements, yes.

22 Q. How many of those are there?

23 A. I can't recall at the moment off the top  
 24 of my head.

25 Q. Do those have anything to do with the

1 A. No.

2 Q. Were you asked to look at anything other  
 3 than property tax and state revenue sharing, or did  
 4 you do other sources of revenue?

5 A. We looked at other sources of revenue.

6 Q. Okay. What other sources?

7 A. So income taxes.

8 Q. Anything else?

9 A. So what I was responsible for was property  
 10 and revenue sharing, so those are the ones that I'm  
 11 comfortable talking about.

12 Q. I mean, do you know if there were other  
 13 revenue sources?

14 A. There are other revenue sources, yes.

15 Q. What were the other revenue sources for  
 16 Flint?

17 A. So those were the ones that I was not  
 18 personally involved in forecasting.

19 Q. Well, I'm just wondering what they were,  
 20 not the details necessarily.

21 A. Just like any city, they would have  
 22 certain grants or other things, but that was not  
 23 what I looked at.

24 Q. So one significant source of revenue for a  
 25 city is grants from either the federal government

1 or the state government, correct?  
 2 MR. STEWART: Just a second. Objection.  
 3 BY MR. SMITH:  
 4 Q. Now you can answer.  
 5 MR. STEWART: You can answer the question.  
 6 THE WITNESS: I guess I don't know what the  
 7 question is.  
 8 BY MR. SMITH:  
 9 Q. One significant source of revenue for a  
 10 city is grants from the federal government or state  
 11 government, correct?  
 12 A. I guess it depends on the city and what  
 13 you mean by significant.  
 14 Q. For the City of Detroit, grant money from  
 15 the state and federal governments is a significant  
 16 source of funds, correct?  
 17 A. I don't know.  
 18 Q. You would agree that property tax revenue  
 19 is a significant sort of revenue for Detroit,  
 20 correct?  
 21 A. What do you mean by significant?  
 22 Q. Well, you've used the word significant  
 23 before, right?  
 24 A. I don't know. I don't think I have.  
 25 Q. You're saying in your life, you've never

1 A. Expenditures for a city? No, I haven't.  
 2 Q. Before -- before the Detroit matter, did  
 3 you ever forecast property tax revenues?  
 4 A. Yes.  
 5 Q. What context did you do that?  
 6 A. I would do it for clients related to  
 7 certain projects, so for example, I would be  
 8 retained in my old job to look at a new facility  
 9 and then to forecast the property tax revenue from  
 10 that.  
 11 Q. Okay. But before the Detroit matter, you  
 12 never forecasted the total property tax revenues a  
 13 city received, did you?  
 14 A. For -- what do you mean the total forecast  
 15 for a city?  
 16 Q. I mean you never forecasted the amount of  
 17 property tax revenue a city would receive in total  
 18 before your retention on the Detroit matter,  
 19 correct?  
 20 A. That's correct.  
 21 Q. You've never been qualified as an expert  
 22 by any court; is that correct?  
 23 A. That's correct.  
 24 Q. Have you ever been retained to do any  
 25 expert work before in a litigation context?

1 used the word significant before?  
 2 A. Well, I use it, but I don't know if I  
 3 would use it in this context, so what do you mean  
 4 by significant?  
 5 Q. Okay. The property tax revenue would be  
 6 one of the top revenue sources for the City of  
 7 Detroit?  
 8 A. So for the City of Detroit, when I look at  
 9 the various tax components, property tax revenue  
 10 makes up a good portion of the tax revenue that the  
 11 City receives.  
 12 Q. Do you know what the proportion is?  
 13 A. So it's around 17 percent.  
 14 Q. And what's the proportion of revenue for  
 15 the city that the state revenue sharing makes up?  
 16 A. Off the top of my head, I don't know.  
 17 Q. Would it be fair that to say that state  
 18 revenue sharing is one of the top revenue sources  
 19 for the City of Detroit?  
 20 A. State revenue sharing, when I look at the  
 21 tax revenue plus the state revenue sharing, state  
 22 revenue sharing is a good portion of that revenue,  
 23 yes.  
 24 Q. Have you ever forecasted expenditures for  
 25 a city?

1 A. Yes.  
 2 Q. And what context was that?  
 3 A. Sorry. Let me clarify. Do you mean -- so  
 4 in my old job, my boss had been an expert on a  
 5 number of cases, so I would work on his cases. I  
 6 was not the expert, though.  
 7 Q. Okay. So you've done litigation  
 8 consulting work before, but you weren't personally  
 9 the expert, correct?  
 10 A. That's correct.  
 11 Q. When did you begin your work on the City  
 12 of Detroit matter?  
 13 A. I started work in May of 2013.  
 14 Q. Have you ever forecasted municipal  
 15 population levels before?  
 16 A. For specific projects in my old job, yes.  
 17 Q. Have you ever forecasted -- have you ever  
 18 done a forecast for municipal revenue sharing for  
 19 the Detroit matter?  
 20 A. No, I don't think so.  
 21 Q. And have you ever forecasted what future  
 22 property assessments would be in a city before the  
 23 Detroit matter?  
 24 A. So in this case, I forecasted taxable  
 25 value, which obviously, has some relationship with

1 assessments, and this is the first time that I did  
 2 that for a municipality, yes.  
 3 Q. You're not a lawyer, correct?  
 4 A. I am not.  
 5 Q. And you're not holding yourself out as a  
 6 legal expert?  
 7 A. What do you mean by legal expert? I'm an  
 8 expert in this case.  
 9 Q. Okay. Are you offering any opinions on  
 10 the law like as it relates to this case?  
 11 MR. STEWART: Objection.  
 12 THE WITNESS: I don't think I'm offering  
 13 opinions on the law. I'm offering opinions on the  
 14 two things that are in my report.  
 15 BY MR. SMITH:  
 16 Q. Okay. So other than what's in your  
 17 report, you're not offering any expert opinions  
 18 other than that, correct?  
 19 A. That's correct.  
 20 Q. Okay. And is it fair to say that in your  
 21 report, you're not -- or anywhere else, you're not  
 22 trying to offer an opinion about interpreting the  
 23 law, correct?  
 24 A. I'm not offering an interpretation of the  
 25 law.

1 Q. You didn't read Charles Moore's expert  
 2 report, correct?  
 3 A. I have not.  
 4 Q. And do you know who he is?  
 5 A. I do not.  
 6 Q. Do you know --  
 7 A. And I read Martha -- what's her last name?  
 8 Q. Ms. Kopacz?  
 9 A. Yes. Thank you.  
 10 Q. You read her report?  
 11 A. I did read her report.  
 12 Q. And you know that Ms. Kopacz opines that  
 13 the forecasts Ernst & Young had presented were  
 14 subjective, correct?  
 15 MR. STEWART: Objection.  
 16 THE WITNESS: I do not recall reading that, no.  
 17 BY MR. SMITH:  
 18 Q. Do you recall her doing an analysis where  
 19 she calculated the effect of a 1 percent increase  
 20 in property tax collections?  
 21 A. I did read her report where she did do the  
 22 sensitivity analysis, yes.  
 23 Q. She found that increasing property tax  
 24 collections by 1 percent could lead to more than a  
 25 \$20 million increase in revenue, correct?

1 Q. Okay. Have you reviewed any depositions  
 2 in this case?  
 3 A. Yes. No, I haven't. Sorry. I've  
 4 reviewed expert reports. Sorry.  
 5 Q. But no depositions?  
 6 A. I have not reviewed depositions.  
 7 Q. So you didn't review Mr. Evanko's  
 8 deposition?  
 9 A. I have not reviewed Mr. Evanko's  
 10 deposition.  
 11 Q. You know who Mr. Evanko is, though,  
 12 correct?  
 13 A. I do.  
 14 Q. Who is Mr. Evanko?  
 15 A. Gary Evanko --  
 16 Q. Yes.  
 17 A. -- is the city assessor for the City of  
 18 Detroit.  
 19 Q. Have you -- you mentioned you had reviewed  
 20 expert reports. What expert reports have you  
 21 reviewed?  
 22 A. I have read Robert Cline's expert report  
 23 and Gaurav Malhotra's.  
 24 Q. Any other expert reports?  
 25 A. Not that I'm aware of, no.

1 A. My recollection from her report is that if  
 2 you assumed that -- if you were able to change the  
 3 parameter by 1 percent, what would that mean over  
 4 the long haul, and my recollection is over  
 5 20 million in property tax revenue.  
 6 Q. Has Ernst & Young done any sensitivity  
 7 analysis on its forecast to understand what  
 8 changing the inputs would mean in terms of revenues  
 9 available to the city?  
 10 A. Throughout the process, we would vary our  
 11 assumptions, change our assumptions and see what  
 12 the revenue impacts are.  
 13 Q. And what assumptions did you change during  
 14 the process?  
 15 A. So for property taxes, we would change the  
 16 important drivers, so whether it be taxable value  
 17 or collection rates. Those are the key assumptions  
 18 that we would change.  
 19 Q. And did you increase or decrease taxable  
 20 value over time, I mean, in changing the  
 21 assumptions?  
 22 A. Well, so do you have a -- I mean, both. I  
 23 mean, there are times when we would say we would  
 24 get a new piece of information, and we might adjust  
 25 our growth rates, and sometimes they would raise

1 taxable value. Sometimes they would lower it. So  
 2 it really depended on the particular situation we  
 3 were modeling.

4 Q. So you used multiple values in your  
 5 various work as for taxable value, correct?

6 A. Multiple values in our taxable value for  
 7 forecast? So our taxable value throughout our  
 8 forecasts would change as we incorporated more  
 9 information, more data, so we've done several  
 10 iterations. And so when we got -- received new  
 11 information, we would incorporate it.

12 Q. And what other important drivers did you  
 13 change multiple times?

14 A. Change multiple times? So we've done -- I  
 15 think we're about -- I think there are five  
 16 forecasts, five disclosure statements, so we've  
 17 done the analysis, and we've updated it five times.  
 18 And so like I said, given new information, we would  
 19 look at the different components of taxable value,  
 20 make some adjustments to taxable value, to the  
 21 collection rate based on the -- whatever  
 22 information was at hand.

23 Q. So one important driver of property tax  
 24 revenue is taxable value, correct?

25 A. That's right.

1 businesses started, is there new construction  
 2 activity. These are all drivers of taxable value  
 3 which ultimately then affects your tax levy, your  
 4 collection and then ultimately your tax revenue.

5 Q. And the tax rate is an important driver of  
 6 property tax revenue, correct?

7 A. What do you mean by important?

8 Q. It's a key -- tax rate is a key driver of  
 9 property tax revenue, correct?

10 A. It is one of the -- it's one of the key  
 11 drivers.

12 Q. And in your formula, increasing the tax  
 13 rate increases property tax revenue, correct?

14 A. It depends, I guess. So if you were to  
 15 hold --

16 MR. STEWART: You answered his question.

17 MR. SMITH: Are you telling her not to finish  
 18 her answer?

19 MR. STEWART: No. I'm just telling her to let  
 20 you ask your next question.

21 MR. SMITH: I think you're telling her not to  
 22 finish her answer, Geoff.

23 MR. STEWART: Finish your answer if you want to  
 24 finish your answer.

25 THE WITNESS: Okay. I was going to say it

1 Q. Another important driver of property tax  
 2 revenue is the collection rate, correct?

3 A. Uh-huh.

4 Q. Are there any other important drivers of  
 5 taxable value?

6 A. Well, so within taxable value --

7 Q. I mean -- let me re-ask the question.

8 Are there any other important drivers of  
 9 property tax revenue?

10 A. Property tax revenue? So within property  
 11 taxes, we forecasted, and by we, I mean I did  
 12 analysis. I also talked with Bob Cline about it.  
 13 So within the analysis, I would look at different  
 14 components of taxable value and forecast that.  
 15 What was your question, though?

16 Q. What are the other important drivers of  
 17 property tax revenue?

18 A. So within property -- so tax revenue is  
 19 dependent upon the tax levy. The tax levy is your  
 20 equitable value times your tax rate and then how  
 21 much are you going to collect. So those are the  
 22 key components. Within taxable value, you have  
 23 various drivers, so that would include population  
 24 to the city is important. You would need to know  
 25 sort of new economic activity, is there any

1 depends.

2 BY MR. SMITH:

3 Q. Okay. You agree with me that if you hold  
 4 everything else constant in your forecast,  
 5 increasing tax rates increases property tax  
 6 revenue, correct?

7 A. If you hold everything else constant and  
 8 you increase the tax rate, you would get more tax  
 9 revenue.

10 Q. And if you hold everything else constant,  
 11 increasing the percent of state revenue sharing  
 12 increases state revenue sharing revenue, correct?

13 A. If you hold everything constant and the  
 14 state decided to give Detroit more money, they  
 15 would have more money.

16 Q. It's basically -- the state has the  
 17 discretion to improve Detroit's fiscal condition by  
 18 just giving more revenue sharing, correct?

19 MR. ALBERTS: Objection.

20 THE WITNESS: Theoretically, the state could  
 21 decide that they want to give more money to  
 22 Detroit, and Detroit would have more money.

23 BY MR. SMITH:

24 Q. Do you know what the important -- the key  
 25 drivers are of the income tax revenues for the City

1 of Detroit?

2 A. Do I know what they are? I did not do  
3 that analysis.

4 Q. But did -- I take it you're not offering  
5 any opinions on the income tax or the corporate tax  
6 or the wagering tax or the utility users tax,  
7 correct?

8 A. That's correct. I'm not offering an  
9 opinion.

10 Q. You -- one of documents you rely on is the  
11 Citizens Research Council report on Detroit. Do  
12 you recall that?

13 A. Which report?

14 Q. The one on revenues.

15 A. Do you know the title?

16 Q. It's called something like revenues  
17 available to the City of Detroit or something like  
18 that.

19 A. So I have looked at a Citizens Research  
20 Council report. It sort of fits that definition.

21 Q. Well, I'm just wondering is the Citizens  
22 Research Council a reliable source of information,  
23 in your view, on revenues available to the City of  
24 Detroit?

25 A. I think the Citizens Research Council does

1 creating the citizens guide?

2 A. So the governor -- I worked with his  
3 office on creating the guide that was released by  
4 him.

5 Q. Were your forecasts based on assumptions  
6 or other information provided by officials from the  
7 City of Detroit?

8 A. Can you say the question one more time?

9 Q. Were your forecasts based on assumptions  
10 or other information provided by the City of  
11 Detroit?

12 A. I had conversations with the City of  
13 Detroit about what they're planning to do on  
14 property taxes, and so I used that information to  
15 form my own assumptions for the analysis.

16 Q. Okay. Who did you have discussions with?

17 A. So I had discussions with Gary Evanko and  
18 Alvin Horhn and Michael Jameson and Linda Beatty  
19 and Nancy Caper, I think, is her last name. She's  
20 no longer there. Those are the people I can recall  
21 that I had conversations with.

22 Q. How many times did you have conversations  
23 with Gary Evanko?

24 A. I cannot recall the exact number. I will  
25 say that I have been on the phone with him at least

1 excellent work.

2 Q. In general, you know that the Citizens  
3 Research Council has issued multiple reports on  
4 Detroit and its fiscal condition, correct?

5 A. I am not aware of how many reports they've  
6 issued.

7 Q. You know the Citizens Research Council has  
8 done significant work researching Detroit's fiscal  
9 condition, though, correct?

10 A. I don't know about significant. I know  
11 they've done that one report.

12 Q. You mentioned -- have you done previous  
13 work for the State of Michigan?

14 A. Specifically for the state?

15 Q. Yeah.

16 A. So I was hired by a group and worked with  
17 the governor on a state citizens guide to their --  
18 it was a citizens financial guide to the state's  
19 finances.

20 Q. Was that when you were at Ernst & Young or  
21 your prior job?

22 A. That was my prior job.

23 Q. And so have you met the governor?

24 A. I have, yeah.

25 Q. And did you work with the governor in

1 twice, and I've had e-mail exchanges with Gary.

2 Q. How long ago were you on the phone with  
3 Gary Evanko?

4 A. The last time I talked to him, it was on  
5 my sister's birthday. It was April 7th.

6 Q. And before that, do you recall when you  
7 spoke with him?

8 A. I think it was January 22nd.

9 Q. Have there been times when the City failed  
10 to respond to Ernst & Young's request for  
11 information for your analyses?

12 A. There are times the City did not respond  
13 to a specific request.

14 Q. What specific request did the City fail to  
15 respond to that you had made?

16 A. So I had asked Gary Evanko for detailed  
17 Renaissance Zones by property type. I wanted  
18 several years. He provided one year.

19 Q. Why did you want several years of  
20 information about Renaissance Zones by property  
21 type?

22 A. I wanted to see how the taxable value had  
23 changed from year to year.

24 Q. And why did you want to do that?

25 A. Just to see if there were fluctuations,

1 things that I would need to take into account for  
2 my forecasting model.

3 Q. And you wanted to have multiple years'  
4 data on Renaissance Zones because that would make  
5 your analysis more reliable and accurate?

6 MR. STEWART: Objection.

7 BY MR. SMITH:

8 Q. Is that fair?

9 A. I would not say it would make it more  
10 reliable. I had good information from the City for  
11 fiscal year 2014. I actually got it then later for  
12 fiscal year 2015. I always knew what the total  
13 Renaissance Zone amount was, which was important  
14 because I was forecasting general operating taxes.  
15 So in a sense, I didn't need to know that detail,  
16 but I wanted to make sure I understood what was  
17 happening just as a matter of course.

18 Q. I mean, without multiple years' data, you  
19 weren't able to look at fluctuations in the  
20 Renaissance Zones, correct?

21 A. I did end up with two years, so I could  
22 see some fluctuations.

23 Q. Okay. There's no way to do a historical  
24 trend based on two years' data regarding the  
25 Renaissance Zones, correct?

1 didn't get that information?

2 A. I did not.

3 Q. Why did you want the information on small  
4 business exemptions?

5 A. So part of the analysis is looking at  
6 personal property, and the -- certain personal  
7 property is going to be exempt if the referendum  
8 passes, and so I wanted to have a sense of what  
9 property would be exempt. I had had conversations  
10 with the City about the size of that, and I wanted  
11 to see an actual report.

12 Q. Okay. But you were never sent the report  
13 on small business exemptions for the personal  
14 property tax, and you have never gotten any  
15 explanation about that?

16 A. That's correct.

17 Q. Were there other pieces of information you  
18 requested the City did not provide?

19 A. Not that I recall.

20 Q. Do you know if there are other people on  
21 the EY team that have made requests to the City  
22 that they did not fulfill in terms of information?

23 A. I don't know.

24 Q. Did you work with Katie Ballard at all on  
25 your analysis?

1 A. I was not able to do a historical trend  
2 more than two years for Renaissance Zones by  
3 property type.

4 Q. Did Mr. Evanko ever explain to you why he  
5 didn't give you information that you requested on  
6 Renaissance Zones?

7 A. He did.

8 Q. Why was that?

9 A. He was working at that point to prepare  
10 the taxable values for the current tax year, and so  
11 he was very busy and said he --

12 Q. Were there any other pieces of information  
13 you had requested that you didn't receive from the  
14 City?

15 A. Yes.

16 Q. What were those?

17 A. I requested what the taxable value of  
18 property that would be subject to the small  
19 business exemption starting in 2014. I asked what  
20 the taxable value of those properties were in a  
21 report.

22 Q. And who did you ask that?

23 A. I sent the request to our EY team who  
24 forwarded it on.

25 Q. Did you get an explanation about why you

1 A. I did.

2 Q. What was her role in your analysis?

3 A. So Katie and my analysis, we mostly talked  
4 about population forecasts.

5 Q. And did Katie Ballard do some of the  
6 population forecasting that's in your analysis?

7 A. She did not.

8 Q. What did she do?

9 A. So we talked about how we thought we  
10 should do the analysis. We talked about places to  
11 go for certain data, so she was more somebody just  
12 to talk through what we were doing, and we -- me,  
13 her and Bob talked about our assumptions going  
14 forward.

15 Q. And so Katie Ballard, what's her  
16 educational background?

17 A. She has a master's degree in public  
18 policy.

19 Q. And when did she get that?

20 A. I'm not sure.

21 Q. How long has she been out of school?

22 A. I'm not certain. I think she's been out  
23 for four years.

24 Q. But you wouldn't view Katie Ballard as  
25 somebody qualified to do the -- any of the

1 forecasting for the City, correct?  
 2 A. I wouldn't say that, no.  
 3 Q. Okay. Did Katie Ballard do any of the  
 4 forecasting for the City?  
 5 A. She did not.  
 6 Q. Has Katie Ballard ever done forecasting  
 7 for the City before?  
 8 A. I don't know, so maybe I should say she  
 9 did assist me on the Flint matter.  
 10 Q. Would it be fair to say that you were  
 11 relying on the expertise of the City of Detroit  
 12 people that you talked to in formulating the  
 13 assumptions for your forecast?  
 14 A. I had conversations with the City, and I  
 15 used the information that they gave me in forming  
 16 my opinion.  
 17 Q. Did you do any independent testing or  
 18 analysis of the information that was provided to  
 19 you by the City for your forecast?  
 20 A. So what do you mean by independent  
 21 testing?  
 22 Q. Did you go back and test any of the data  
 23 that the city provided you for your forecast to  
 24 ensure it was accurate?  
 25 A. I checked to make sure that the ad valorem

1 financial statements. They had been audited, so I  
 2 didn't go back and check. They ran certain reports  
 3 from their system. I didn't have access to those  
 4 systems, so I took that information.  
 5 Q. And other information you received from  
 6 the City you didn't verify its accuracy?  
 7 A. I don't think so.  
 8 Q. I mean, basically on the conversations  
 9 with the City officials that were used to formulate  
 10 your assumptions, you didn't do anything to verify  
 11 the accuracy of what the people at the City were  
 12 telling you; is that fair?  
 13 MR. STEWART: Objection.  
 14 THE WITNESS: I don't think that's fair.  
 15 BY MR. SMITH:  
 16 Q. Were there instances, though, where people  
 17 from the City gave you information verbally that  
 18 you used in formulating your assumptions where you  
 19 didn't go and try to verify the accuracy of the  
 20 information?  
 21 A. There were times when the City would give  
 22 me -- would tell me something over the phone or  
 23 what they planned to do, and there are times that I  
 24 would have conversations with our ground -- our  
 25 team on the ground in Detroit. I would talk to

1 taxable value information they gave me matched what  
 2 was in the State Tax Commission reports, and that  
 3 was the only check to make sure that those numbers  
 4 matched.  
 5 Q. Was there information that the city  
 6 provided you that you didn't do independent testing  
 7 for to ensure its accuracy?  
 8 A. I did not verify every piece of  
 9 information, go back and see if I thought it was  
 10 accurate. I did not do that.  
 11 Q. What were some of the pieces of  
 12 information you didn't do any testing to verify its  
 13 accuracy?  
 14 A. So for the most recent tax bills, the ad  
 15 valorem data. I took that information they gave me  
 16 since it was certified and used it.  
 17 Q. Anything else?  
 18 A. I had conversations with the City about  
 19 when they were planning to hire consultants to do  
 20 the reappraisal study. I did not go back and check  
 21 to see when a contract was filed or things like  
 22 that.  
 23 Q. Other information that you relied on from  
 24 the City you didn't verify its accuracy?  
 25 A. I took information from their audited

1 multiple people about what was going on, talk to  
 2 the mayor. So there were times where I was able to  
 3 make sure the information was consistent, and there  
 4 were other times where they would run a report, and  
 5 they'd give it to me, and I accepted it.  
 6 Q. So generally when the City would run a  
 7 report from their system to which you didn't have  
 8 access, you wouldn't do anything to verify the  
 9 accuracy of that report, correct?  
 10 A. Sometimes I was able to go back and look  
 11 to see if, like I said, the taxable value matched  
 12 what was being reported to the state or available  
 13 in other systems or would show up in a budget book  
 14 or an audited financial statement. So there are  
 15 times I was able to check to make sure the numbers  
 16 were consistent, and then there were times where I  
 17 had requested collection rate information by  
 18 property type that they had to run a report for me.  
 19 I talked to the person, made sure I understood it,  
 20 made sure numbers added up, and then I would accept  
 21 it.  
 22 Q. You didn't verify the accuracy of the  
 23 collection rate information, though, that you have  
 24 you were given by the City, correct?  
 25 A. If you mean by -- what do you mean by

1 verify?

2 Q. You didn't go back to actually test and  
3 verify the accuracy of the collection rate  
4 information that was given to you by the City,  
5 correct?

6 A. I was not able to go and, say, run the  
7 report myself or look at their base data.

8 Q. When you began work on this case, was  
9 there already some sort of model in place for  
10 forecasting property tax or state revenue sharing  
11 revenue?

12 A. There was a model in place for property  
13 taxes.

14 Q. Do you know who created that model?

15 A. I do not know.

16 Q. Did you look at the experience of any  
17 other cities in developing your forecast?

18 A. No.

19 Q. Do you know what cities would be  
20 comparable to Detroit in terms of their financial  
21 situation?

22 A. No.

23 Q. Did you rely on data provided by the  
24 assessor's office in formulating your opinions?

25 A. I did receive data from the assessor's

1 the mechanism or methodology used in assessing  
2 property taxes?

3 A. I don't know what the city assessor's  
4 office was doing to assess property. I don't know.

5 Q. Can you explain the methodology used by  
6 the City in collecting property taxes?

7 A. No.

8 Q. Can you explain to me the methodology the  
9 city used in setting property tax rates?

10 A. No.

11 Q. Can you explain the methodology the State  
12 used in setting the revenue sharing levels?

13 A. So there are two parts of revenue sharing.  
14 So there's the constitutional portion, which has a  
15 formula, and then there's the EVIP portion, the  
16 Economic Vitality Incentive Program. And in terms  
17 of how exactly they decide what they're going to  
18 allocate cities, villages or townships, I don't  
19 know the formula for that.

20 Q. Okay. So it would be fair to say that you  
21 don't know the formula or methodology used in  
22 setting the statutory portion of the revenue  
23 sharing; is that correct?

24 A. I wouldn't say that. The EVIP portion  
25 doesn't have a formula, and so it would be

1 office.

2 Q. And you relied on that in formulating your  
3 opinions?

4 A. I did rely on some of that data.

5 Q. Did you work with Shavi Sarna at all?

6 A. I did.

7 Q. What was your interaction with that  
8 individual?

9 A. Shavi and I would have conversations. We  
10 would exchange e-mails. He would ask questions.

11 Q. Do you know what fees the City collects?

12 A. What do you mean by fees?

13 Q. Well, you know the City of Detroit charges  
14 fees for various services, correct?

15 A. Correct.

16 Q. Do you have any idea what fees the City of  
17 Detroit collects?

18 A. I don't.

19 Q. Do you have any idea what licensing  
20 revenues the City gets?

21 A. I don't.

22 Q. Do you have any idea what the mechanisms  
23 for property tax assessment are in the City?

24 A. What do you mean by mechanisms?

25 Q. I mean, can you -- are you able to explain

1 inaccurate to say I don't know the formula because  
2 there isn't a formula.

3 Q. Let me re-ask my question then.

4 Would it be fair to say you don't know the  
5 methodology used in setting the EVIP portion of the  
6 state revenue sharing?

7 A. I personally don't know why legislators  
8 decide to allocate a certain amount of money to  
9 Detroit. There is a -- there are three components  
10 to EVIP. There's supposed to be -- they're  
11 supposed to meet certain things in order to get the  
12 revenue, but what the legislature decides year to  
13 year to allocate is their discretion, so...

14 Q. Basically the amount of revenue sharing,  
15 would you agree, is a discretionary political  
16 decision by the legislature?

17 A. For EVIP, it is the discretion of the  
18 legislature.

19 Q. And it's a political decision. The amount  
20 of money that the legislature decides to give to  
21 cities is decided by people who are elected and  
22 make a political decision about how much money to  
23 give, correct?

24 A. People who are elected make that decision.

25 Q. And the decision about how much money the

1 City gets in state revenue sharing is a decision  
 2 that's made in the political process, correct?  
 3     A. I wouldn't say that because there are two  
 4 components.  
 5     Q. The EVIP portion of the state revenue  
 6 sharing is generated by political process, correct?  
 7     A. In that the legislature and the  
 8 legislature is part of the political process, yes.  
 9     Q. And the EVIP portion is the largest  
 10 portion of the state revenue sharing, correct?  
 11    A. For the City of Detroit?  
 12    Q. Yes, for the City of Detroit.  
 13    A. That's correct.  
 14    Q. In your view, what are the biggest sources  
 15 of untapped revenue for the City of Detroit?  
 16    A. I don't have an opinion on that.  
 17    Q. Do you have an opinion about how the City  
 18 of Detroit could increase property tax revenues?  
 19    A. I do not.  
 20    Q. The City of Detroit has never asked you or  
 21 anyone else at Ernst & Young to use your expertise  
 22 to increase property tax revenues for them,  
 23 correct?  
 24    A. Correct. We don't do specific tax policy  
 25 recommendations.

1 auditing services, accounting services. We do,  
 2 obviously, tax advisory. We prepare tax  
 3 statements. Our business is not to consult in the  
 4 policy realm in this way. And so I didn't make  
 5 those decisions, but that's what I follow.  
 6     Q. Okay. So Ernst & Young is not in the  
 7 business of offering tax policy advice to  
 8 municipalities, correct?  
 9     A. So the work that I do, I do not provide  
 10 specific policy recommendations. I don't know if  
 11 other parts of EY offer, but I know as a whole, we  
 12 don't make, say, specific tax policy  
 13 recommendations.  
 14     Q. In the past, have you made tax policy  
 15 recommendations to government in your other jobs?  
 16     A. In my other job, I would do the analysis  
 17 around a policy change, and so I would provide my  
 18 opinion sometimes about the change.  
 19     Q. I mean, you know that other cities have  
 20 increased taxes to address fiscal distress to raise  
 21 revenue, correct?  
 22     A. Some cities have done that, yes.  
 23     Q. And you're aware that cities have cut  
 24 services in order to address fiscal distress and  
 25 improve their fiscal situation?

1     Q. Okay. So you're offering no opinion about  
 2 whether the City can increase tax revenues,  
 3 correct?  
 4     A. I'm not offering an opinion about whether  
 5 they can increase tax revenues.  
 6     Q. And you're not offering an opinion about  
 7 whether the City can pay the creditors more money  
 8 in the bankruptcy, correct?  
 9     A. I'm not offering an opinion on that.  
 10    Q. And you're not offering an opinion about  
 11 how much revenue the City would have if the  
 12 bankruptcy case is dismissed, correct?  
 13    A. That's correct.  
 14    Q. I mean -- and in fact, Ernst & Young's  
 15 policy would prohibit you from offering opinions  
 16 about how much -- whether the City can generate  
 17 more tax revenue or increase tax rates or do other  
 18 things like that, correct?  
 19    A. So Ernst & Young would not want us to make  
 20 specific recommendations on tax policy the City of  
 21 Detroit should pursue. We just do the analysis.  
 22    Q. And why doesn't Ernst & Young allow its  
 23 staff to make recommendations about tax policy like  
 24 that?  
 25    A. So the bulk of our business is providing

1     A. Some cities have done that, yes.  
 2     Q. And you know that cities have added new  
 3 fees for services in order to raise revenue to  
 4 address fiscal distress, correct?  
 5     A. I don't know anything specifically.  
 6     Q. Do you know that other cities have imposed  
 7 new taxes to raise revenue for -- to address fiscal  
 8 distress?  
 9     A. That could be possible. I don't know of  
 10 any specific instance.  
 11    Q. Do you know generally that there are a  
 12 number of cities in the country now because of the  
 13 recession we've had that are experiencing fiscal  
 14 distress?  
 15    A. Yes, I'm aware of cities experiencing  
 16 fiscal distress.  
 17    Q. In fact, you've worked for at least one  
 18 other city that's experiencing fiscal distress in  
 19 the state of Michigan, right?  
 20    A. That's right.  
 21    Q. And you know in the state of Michigan,  
 22 there are multiple cities that are under the  
 23 supervision of emergency managers because of fiscal  
 24 distress, correct?  
 25    A. Correct.

1 Q. And what are the causes of these cities in  
 2 Michigan having to be under the supervision of  
 3 emergency managers and being in physical distress?

4 MR. STEWART: Objection.

5 THE WITNESS: I don't know the specifics for  
 6 other cities.

7 MR. ALBERTS: Objection. I think you mean  
 8 fiscal.

9 MR. SMITH: Yes, fiscal.

10 BY MR. SMITH:

11 Q. You know that declines in state revenue  
 12 sharing have -- in Michigan have adversely impacted  
 13 the fiscal situation of multiple cities, correct?

14 A. I can't talk about other cities.

15 Q. Do you know whether the City of Flint  
 16 undertook efforts to try to get the state  
 17 legislature to increase state revenue sharing?

18 A. I don't know.

19 Q. Do you have any opinion about the sources  
 20 of untapped cost savings for the City?

21 A. I don't.

22 Q. Does Ernst & Young ever do any kind of  
 23 evaluation of cities to determine how they can  
 24 increase revenues?

25 A. I don't know.

1 Q. What percent of your time is spent on the  
 2 Detroit matter?

3 A. What percent of my daily just sort of work  
 4 time?

5 Q. Your billable time.

6 A. My billable time? So I've been working on  
 7 this for a year or a little over a year. My  
 8 billable time might be around 50 percent.

9 Q. Do you know what proportion of your --  
 10 what proportion of Katie Ballard's billable time is  
 11 spent on the City of Detroit?

12 A. I have no idea.

13 Q. Can you identify any other matters other  
 14 than the City of Detroit that Katie Ballard works  
 15 on?

16 A. What do you mean matter? Do you just mean  
 17 projects or --

18 Q. Yeah.

19 A. Sure. She works on our economic impact  
 20 studies for private clients, basically, you know,  
 21 just some of our thought leadership pieces. And  
 22 she also worked on our council on state taxation  
 23 business tax burden study.

24 Q. Have you had any interaction with anyone  
 25 from Conway MacKenzie?

1 Q. Is the only work that you've done for the  
 2 City of Detroit the work leading to your expert  
 3 opinions in this case?

4 A. Yes.

5 Q. Do you know whether there are any formal  
 6 studies that have been conducted to ascertain  
 7 whether Detroit can raise taxes or increase  
 8 revenue?

9 A. I don't know.

10 Q. Do you know whether there are any formal  
 11 studies that have been conducted to determine  
 12 whether Detroit can cut costs more than half?

13 A. I don't know.

14 Q. Do you know of any formal studies -- can  
 15 you identify any studies on Detroit property taxes  
 16 or revenue sharing?

17 A. Do I know of any formal studies on Detroit  
 18 property taxes or revenue sharing? Other than what  
 19 the CRC report you mentioned earlier?

20 Q. Yes.

21 A. No.

22 Q. How many people assisted you in preparing  
 23 your forecast?

24 A. So I did the work and the analysis. I had  
 25 discussions with Bob Cline, Katie Ballard.

1 A. I've been on phone calls where Conway &  
 2 MacKenzie have been on the line.

3 Q. Do you have an understanding of Conway &  
 4 MacKenzie's role in this matter?

5 A. I understand a little bit, and I've  
 6 occasionally received things they prepared.

7 Q. Like what kind of things?

8 A. So when they put together some of the  
 9 reinvestment initiatives, I would see a copy of it.

10 Q. And do you have any understanding of  
 11 Miller Buckfire's role in this case?

12 A. I've interacted with lawyers from Miller  
 13 Buckfire. I seen them as a coordinating role. I  
 14 don't know any more what they're doing.

15 Q. I mean, when you say coordinating role,  
 16 what exactly have you done with them?

17 A. So Kyle Herman, who works for Miller  
 18 Buckfire, he would coordinate collection of  
 19 materials. He would organize calls with the  
 20 creditors, things like that.

21 Q. Would it be fair to say that there are  
 22 people who have contributed information to your  
 23 forecasts that you don't know who they are and  
 24 you've never met?

25 A. No.

1 Q. Like people from the City?  
 2 A. So there are -- everyone at the City who  
 3 provided information, I have had phone calls with  
 4 them.  
 5 Q. Do you agree that the forecast that  
 6 Ernst & Young has put together includes hundreds of  
 7 different inputs?  
 8 A. Would I agree? I don't know how many  
 9 inputs there are. I can only talk about mine.  
 10 Q. How many -- I mean, your piece of the  
 11 forecast, would it be fair to say that your piece  
 12 of the forecast includes numerous different inputs?  
 13 A. I guess what do you mean by numerous?  
 14 Q. Well, how many? Do you know how many  
 15 inputs?  
 16 A. I don't, no. I mean, there are inputs. I  
 17 wouldn't say -- yeah, there are inputs. I don't  
 18 know how many.  
 19 Q. Do you know whether there's more than  
 20 100 inputs in your analysis?  
 21 A. There's not more than 100.  
 22 Q. Okay. I mean, would it -- do you have any  
 23 understanding of how your piece of the forecast is  
 24 put into the overall Ernst & Young forecast?  
 25 A. I have been able to see where it goes into

1 your forecast is based on, correct?  
 2 A. There are multiple assumptions, yes.  
 3 Q. And your assumptions are based on your  
 4 experience, correct?  
 5 A. My assumptions are based on my analysis of  
 6 the information at hand, my conversations with the  
 7 City, those things.  
 8 Q. Would it be fair to say your assumptions  
 9 are based on information you got from the City and  
 10 your own experience?  
 11 A. If you mean -- when you say experience, I  
 12 would substitute that with my own data collection  
 13 review analysis.  
 14 Q. Are your assumptions based on your  
 15 judgment?  
 16 A. So I use my judgment in selecting what I  
 17 thought were good parameters for final of certain  
 18 assumptions.  
 19 THE VIDEOGRAPHER: Off the record. The time is  
 20 10:01 a.m.  
 21 (Whereupon, a short break was  
 22 taken.)  
 23 THE VIDEOGRAPHER: We are back on record. The  
 24 time is 10:09 a.m.  
 25

1 the disclosure statements.  
 2 Q. Okay. But do you have an understanding of  
 3 how it's actually incorporated into the overall  
 4 forecast?  
 5 A. I can see that they've taken my analysis  
 6 and my forecast, and they've put that into their  
 7 work.  
 8 Q. Are there hundreds of different  
 9 spreadsheets that make up the Ernst & Young  
 10 forecast?  
 11 A. I don't know how many spreadsheets.  
 12 Q. Do you know how many assumptions went into  
 13 the Ernst & Young forecast?  
 14 A. I don't.  
 15 Q. Do you know how many assumptions went into  
 16 your forecast?  
 17 MR. STEWART: Objection.  
 18 THE WITNESS: I don't.  
 19 BY MR. SMITH:  
 20 Q. Would it be fair to say that there's a  
 21 series of assumptions that your forecast is based  
 22 on?  
 23 A. There are some assumptions that my  
 24 forecast is based on.  
 25 Q. And there are multiple assumptions that

1 BY MR. SMITH:  
 2 Q. Ms. Sallee, you mentioned that your  
 3 forecasts have been updated several times; is that  
 4 correct?  
 5 A. They have been updated several times.  
 6 Q. And you've -- when you've received new  
 7 information, you felt it was necessary to update  
 8 your forecasts so they would be accurate and  
 9 reliable, correct?  
 10 A. So when new information became available  
 11 and when the EY restructuring team requested it, we  
 12 updated our forecast.  
 13 Q. And is there any rule of thumb for how  
 14 frequently a forecast should be updated?  
 15 A. Not that I'm aware of.  
 16 Q. You agree that as new information comes  
 17 in, though, you should update the forecast to  
 18 incorporate the new information?  
 19 A. As new information was presented, we did  
 20 our best to try to incorporate.  
 21 Q. And if you don't incorporate new  
 22 information, your forecasts can be less accurate  
 23 and reliable than it otherwise would be, correct?  
 24 A. I would not say that.  
 25 Q. Okay. So we don't have to consider new

1 information at all? We can just let the forecasts  
 2 sit there, and no matter what changes, it's okay,  
 3 right?

4 MR. STEWART: Objection.

5 THE WITNESS: I don't -- what's the question?

6 BY MR. SMITH:

7 Q. If you don't incorporate new information  
 8 as it becomes available, a forecast can become  
 9 inaccurate or unreliable, correct?

10 A. No, I wouldn't say that.

11 Q. Okay. So if the property tax were  
 12 increased by 100 percent, your opinion is you  
 13 wouldn't have to update your forecast?

14 A. So new information can sometimes confirm  
 15 what you've already put down, so that's why.

16 Q. And new information can also change your  
 17 forecast, right?

18 A. Yes.

19 Q. And so it's possible that new information,  
 20 if you don't incorporate it, your forecasts will be  
 21 inaccurate or reliable. That's possible, correct?

22 A. So it depends on the situation. New  
 23 information can improve the accuracy of the  
 24 forecast. New information can confirm it.

25 Q. And in the hall, Mr. Stewart had his

1 of the assessor's office conducted by Plante Moran?

2 A. No.

3 Q. Were you aware that the assessor's  
 4 office -- there have been a number of problems  
 5 identified in the assessor's office?

6 A. I have a general sense that people have  
 7 said there are problems.

8 Q. What problems are you aware of in the City  
 9 of Detroit Assessor Office?

10 A. The only problem that people have talked  
 11 about has been overassessments.

12 Q. That's the only problem that you're aware  
 13 of in the assessor's office is overassessments?

14 A. That's the only problem that people have  
 15 talked to me about.

16 Q. Would it be fair to say that you haven't  
 17 cited any scientific literature or anything like  
 18 that in performing your forecasting?

19 A. What do you mean by scientific?

20 Q. Well, there's no literature of any kind  
 21 that you've cited as the basis for your forecast,  
 22 correct?

23 A. So as I noted in my report, I followed the  
 24 procedures laid out by the revenue -- the State of  
 25 Michigan's Consensus Revenue forecasting, and

1 finger in your face, didn't he, during the break?

2 MR. STEWART: Objection.

3 THE WITNESS: No.

4 BY MR. SMITH:

5 Q. Did you have a conversation with  
 6 Mr. Stewart during the break?

7 A. I did.

8 Q. What was he telling you?

9 MR. STEWART: Objection. It's privileged. You  
 10 know that.

11 MR. SMITH: You're directing her not to answer  
 12 that?

13 MR. STEWART: Yes, that's right. Do you want  
 14 me to start asking what you talk to your clients  
 15 about? Do you want to waive it? Would you like  
 16 to? We can have a mutual waiver across the board.  
 17 I'd like to learn what you're telling Syncora.

18 BY MR. SMITH:

19 Q. How long did you talk to Mr. Stewart for?  
 20 A. Maybe 30 seconds.

21 Q. The -- do you know whether the assessor's  
 22 office has been subject to any reviews by outside  
 23 consultants?

24 A. I don't know.

25 Q. So you haven't been provided with reviews

1 that's in report that I think was produced.

2 Q. Have you run any runs of your forecasts  
 3 that had higher revenues available to the City?

4 A. I guess I don't understand your question.

5 Q. Have you done any runs of your forecast  
 6 where you generated revenues that are higher than  
 7 what you're forecasting currently for the City?

8 A. Yes.

9 Q. And what kind of runs?

10 A. So as you've noted, we've updated our  
 11 analysis, our forecasts several times, and so  
 12 previous earlier iterations had slightly higher  
 13 property taxes.

14 Q. And are there runs that you haven't  
 15 submitted to the creditors or others that have  
 16 included higher revenues than you're forecasting?

17 A. Everything we've done has been turned  
 18 over, so the creditors would have access.

19 Q. Do you agree that you've used your  
 20 discretion in selecting the specific values for the  
 21 assumptions in your model?

22 A. I've used my judgment in selecting the  
 23 assumptions.

24 Q. Do you agree that in conducting a tax  
 25 forecast, you should seek to gather all evidence

1 reasonably related to the forecast?  
 2 A. What's the question?  
 3 Q. Do you agree in conducting a tax forecast,  
 4 you should collect all information reasonably  
 5 related to the forecast?  
 6 A. So I think you need to make sure you take  
 7 in relevant information in doing the forecast.  
 8 Q. And you should endeavor to collect all  
 9 relevant information in doing a forecast, correct?  
 10 A. So it depends on what you mean by  
 11 relevant.  
 12 Q. Have you ever used the word relevant  
 13 before?  
 14 A. I have.  
 15 Q. Okay. Using your definition of relevant,  
 16 do you agree that you should endeavor to collect  
 17 all relevant information in doing a forecast?  
 18 A. I did endeavor to collect relevant  
 19 information for the forecast.  
 20 Q. That's not my question. My question is do  
 21 you agree that in conducting a forecast, you should  
 22 endeavor to collect all relevant information?  
 23 A. I would say in conducting a forecast, you  
 24 should collect information that's pertinent and  
 25 related.

1 the context of forecasting?  
 2 A. I guess I don't know what you mean by  
 3 stress test.  
 4 Q. Do you know what length of time is the  
 5 standard length the City uses for its forecasts?  
 6 A. I don't know anything about the City's  
 7 forecasting.  
 8 Q. Have you ever looked at the consensus  
 9 forecast for the City?  
 10 A. I did receive one piece of information  
 11 that had their consensus revenue estimates for the  
 12 next fiscal year.  
 13 Q. And do you know how many years they looked  
 14 at?  
 15 A. I can't remember off the top of my head.  
 16 Q. Have you ever done a tax forecast for as  
 17 long as 10 years?  
 18 A. I'm not sure.  
 19 Q. Have you ever -- you haven't done a  
 20 revenue sharing forecast for as long as 10 years,  
 21 correct?  
 22 A. I do not think I have.  
 23 Q. What are some of the factors that can  
 24 occur over the next 10 years that could affect the  
 25 actual values for property taxes or revenue

1 Q. And if you have incomplete information,  
 2 your forecast can be inaccurate, correct?  
 3 A. Not necessarily, no.  
 4 Q. But it can be inaccurate if you have  
 5 incomplete information, correct?  
 6 A. Incomplete information can make it -- it  
 7 can go either way. It depends on the situation. I  
 8 mean, the nature of forecasting, you're selecting  
 9 data and assumptions. It's not complete, so  
 10 there -- so yeah, I mean, there are situations and  
 11 incomplete information could make it inaccurate, or  
 12 it could not. It depends.  
 13 Q. Have you done any stress testing on your  
 14 forecast?  
 15 MR. STEWART: Objection.  
 16 THE WITNESS: What do you mean by stress tests?  
 17 BY MR. SMITH:  
 18 Q. Well, I've seen reference to stress tests  
 19 that have been conducted on forecasts before. Do  
 20 you know what that is?  
 21 A. I have not done a stress test.  
 22 Q. Have you ever done any kind of stress  
 23 testing on forecasts before?  
 24 A. What is stress test in this context?  
 25 Q. So you don't know what a stress test is in

1 sharing?  
 2 A. What do you mean by actual values?  
 3 Q. The actual collections of property tax  
 4 revenue and the actual amount of money that's  
 5 received from revenue sharing.  
 6 A. Sure. So population rate is important,  
 7 employment, new economic activity. These are all  
 8 things that are driving both the portion of state  
 9 revenue sharing and property taxes.  
 10 Q. If population increases, the revenue from  
 11 property taxes and revenue sharing could increase,  
 12 correct?  
 13 A. It's possible.  
 14 Q. And if employment increases, the revenue  
 15 from property taxes and revenue sharing would  
 16 increase?  
 17 A. It's possible.  
 18 Q. And if economic activity increases,  
 19 revenue from revenue sharing and the property taxes  
 20 would increase?  
 21 A. It's possible.  
 22 Q. And is that -- are those -- your model,  
 23 though, do revenues increase if employment,  
 24 population or economic activity increase?  
 25 A. So in our model, if there is greater

1 economic activity, we have better property tax  
2 revenues.

3 Q. If there's increased economic activity, do  
4 you -- does your model generate increased revenue  
5 sharing, or does it not take into account economic  
6 activity for revenue sharing?

7 A. So revenue sharing, because it is based on  
8 per-capita distribution on the constitutional side  
9 and for EVIP, there's no formula. Economic  
10 activity, it doesn't really affect it directly.

11 Q. There was no formula you used for  
12 calculating the revenue sharing that you projected,  
13 correct?

14 A. That's not true.

15 Q. Well, I mean, you were just saying no  
16 formula. What did you mean?

17 A. There's no formula in how the legislature  
18 allocates the EVIP portion.

19 Q. Does increasing population in your model  
20 increase property tax revenues or revenue sharing?

21 A. So there's no direct link between a  
22 one-for-one population increase causes property tax  
23 increase. So there's no one-to-one relationship in  
24 the model.

25 Q. Does your model take into account the

1 property or not.

2 Q. In your model, does increased employment  
3 in the city among residents lead to an increase in  
4 property tax revenue?

5 A. There's no direct relationship in the  
6 model between employment and the tax bases.

7 Q. Okay. What is the relationship then in  
8 the model?

9 A. Sure. So in the model, there are four  
10 different tax bases, and so employment is something  
11 that's important for -- I guess for all three, for  
12 residential, commercial, industrial. So if you  
13 have improved economic activity, improved  
14 employment, we could see those tax bases grow, and  
15 that could translate into more tax revenue, but if  
16 everything else is equal. So there's other factors  
17 that drive the model.

18 Q. Do you agree that increased employment  
19 will lead to people purchasing more goods and  
20 services in the city and an increase in sales tax  
21 revenue?

22 MR. STEWART: Objection.

23 THE WITNESS: Can you say that one more time,  
24 your question?

25

1 effect of population on property tax increase at  
2 all?

3 A. So population forecasts were used to  
4 inform certain growth rates in the model.

5 Q. Okay. So an increasing population could  
6 increase growth rates which would increase property  
7 tax revenues in your model; is that correct?

8 A. That is fair.

9 Q. In your model, does an increase in  
10 employment lead to an increase in property tax  
11 revenue or to revenue sharing?

12 A. So an increase in employment doesn't  
13 affect the revenue sharing in our forecast. And  
14 employment, there's no sort of direct input for  
15 employment on the property tax side. It would be  
16 something that would help to inform a growth rate  
17 of a tax base.

18 Q. Okay. So increased employment could  
19 increase growth rates, which would increase  
20 property tax revenues in your model, correct?

21 A. So it depends. Employment in Detroit  
22 doesn't mean that someone is a property owner, and  
23 so in that sense, we're concerned doing the  
24 forecasting about the different tax bases. So  
25 employment can mean that there is additional

1 BY MR. SMITH:

2 Q. Increased employment will lead to an  
3 increase in people purchasing goods and services in  
4 the city and an increase in sales tax revenue?

5 A. It's possible.

6 Q. Your model does not take into account  
7 increased employment having any effect on revenue  
8 sharing, correct?

9 A. That is correct.

10 Q. Can you identify any forecast comparable  
11 to the Ernst & Young forecast that's been done for  
12 Detroit over a 10-year period?

13 A. I have not seen any other forecast.

14 Q. Can you identify -- so you've never seen  
15 any forecasts like that Ernst & Young has done for  
16 Detroit in any Chapter 9 bankruptcy, correct?

17 A. I have not looked at any other Chapter 9  
18 bankruptcies.

19 Q. Have you done any investigation to find  
20 out what other forecasts have been done to model  
21 property tax or state revenue sharing for a  
22 municipality?

23 A. Have I -- what's your question?

24 Q. Have you done any investigation to look at  
25 other forecasts for property tax revenue or revenue

1 sharing in a municipality?

2 A. I have not looked at other forecasts.

3 Q. Do you agree that the longer period of  
4 time a forecast covers, the less reliable it  
5 becomes?

6 A. No.

7 Q. So your point of view is that your 40-year  
8 forecast is as reliable and likely to be accurate  
9 as your 10-year forecast, correct?

10 A. My opinion is the -- we did a 10-year  
11 forecast, and we did an extrapolation for 30 years,  
12 and it could go either way. That's the nature. It  
13 could be as accurate as the 10-year. I don't know  
14 yet.

15 Q. There's no way to note -- no way to assess  
16 the level of accuracy of your forecast, correct?

17 A. The way that you could assess the accuracy  
18 is to compare the forecast with actual, and the  
19 actual hasn't happened yet.

20 Q. So there's, in fact, no way to assess the  
21 accuracy of your forecast, correct?

22 A. Right, except for comparing to actual, and  
23 our actuals so far have come in pretty well  
24 compared to the forecast.

25 Q. And how long has your forecast been in

1 A. So in Michigan, unpaid taxes at the  
2 municipal level are turned to the county for  
3 collection, and so the county will try to collect  
4 on them, and then it will foreclose and has been  
5 doing public auctions to sell the property. So the  
6 model takes into account net payments from the  
7 county, which would be then the county paying for  
8 the taxes that these properties owe. And so that's  
9 factored into the property tax collections in the  
10 model.

11 Q. Do you know what percent of the owed taxes  
12 your model predicts will be actually paid from  
13 prior years?

14 A. Not in that way, no.

15 Q. Do you know what -- is there a collection  
16 or a payment rate or anything like that that is  
17 incorporated into your model for the past year's  
18 owed taxes?

19 A. So the model includes a percent of the tax  
20 levy that is assumed the City will receive from  
21 Wayne County.

22 Q. Okay. And what number is that?

23 A. It depends on the year.

24 Q. How did you select that number?

25 A. So Wayne County provided their prior

1 existence?

2 A. We did the first iteration in June of  
3 2013.

4 Q. You're aware that the City is failing to  
5 collect approximately half of the property taxes  
6 owed, correct?

7 A. I am aware, sorry, half of property taxes  
8 on the residential.

9 Q. Okay. And are you aware that the City has  
10 identified more than 100,000 properties where taxes  
11 have not been paid in addition to the foreclosed  
12 properties?

13 A. I don't know the number.

14 Q. Do you know that the City has identified  
15 over \$504 million in unpaid property taxes that are  
16 owed to it?

17 A. I don't know the amount.

18 Q. Your forecast doesn't take into account or  
19 doesn't include any amounts for payment of property  
20 taxes that are owed, but haven't gone collected  
21 thus far, correct?

22 A. That's not correct.

23 Q. Okay. How does your forecast take into  
24 account the property taxes that are owed to the  
25 City from prior years, but haven't been collected?

1 year's net revolving fund payments, and so it  
2 analyzed the trends and what had been happening and  
3 had some conversations about what was happening  
4 with the foreclosure process and then used judgment  
5 to select what was going to happen in future years.

6 Q. Okay. So in terms of the amount of  
7 collection that will occur with respect to amounts  
8 already owed from prior years, you implemented  
9 different assumptions for different years based on  
10 your judgment; is that fair?

11 A. What's the question?

12 Q. For the amount of property tax that would  
13 be collected from prior years that's still owed,  
14 you implemented different assumptions for different  
15 years based on your judgment?

16 A. So using my judgment, I selected payment  
17 amount from Wayne County that was likely, and that  
18 varied by year.

19 Q. Okay. And how did you go about using your  
20 judgment to figure out how to vary the payment  
21 amount by year?

22 A. So using data from the past, we're able to  
23 see what was happening over the last -- I guess I  
24 got data for eight or nine years is my  
25 recollection, and I was able to see what had

1 happened after the recession. And so we were able  
 2 to see the trends where there were -- what the  
 3 payments were doing and then getting to kind of a  
 4 more stable steady state going forward and was able  
 5 to see what was happening trend-wise and then see  
 6 what was reasonable, use our judgment to select  
 7 what's reasonable.

8 Q. I mean, you don't know what will happen in  
 9 future years in terms of property tax collections?

10 A. It's a forecast, yes. I don't know.

11 Q. I mean, you just don't know. You have to  
 12 kind of engage in a certain amount of guesswork or  
 13 speculation in order to choose the assumptions for  
 14 the model, correct?

15 MR. STEWART: Objection.

16 THE WITNESS: I wouldn't say guesswork. I think  
 17 performed an analysis, used the analysis to form my opinion.

18 (Document marked No. 1)

19 BY MR. SMITH:

20 Q. Why don't I hand you what's been marked as  
 21 Exhibit 1, and you can let me know if you've seen  
 22 this document before. Ever seen that document?

23 A. No, I haven't.

24 Q. Okay. I'd like to ask you about Page 5 at  
 25 the bottom, the last bullet point.

1 estate, it's important to base valuations on arm's  
 2 length transactions?

3 A. I don't know.

4 Q. You just -- would it be fair to say you're  
 5 not aware of the standards for reliably valuing  
 6 real estate?

7 A. I was not asked in this case to evaluate  
 8 real estate for the City of Detroit. I took the  
 9 information that was given to me.

10 Q. Do you know -- and that information, was  
 11 that from the assessor's office?

12 A. Some of it.

13 Q. And you know that there have been many  
 14 foreclosures in the city of Detroit, correct?

15 A. Correct.

16 Q. Do you know whether a foreclosure is an  
 17 arm's length transaction?

18 A. I wouldn't think it would be.

19 Q. I mean, so a lot of the sales in Detroit  
 20 -- a lot of the sales or exchanges of properties in  
 21 Detroit have been non-arm's length transactions.  
 22 Are you aware of that?

23 A. I don't know.

24 Q. Page 21, you see at the bottom in  
 25 observations, the first bullet says valuation is

1 MR. ALBERTS: Could you just say what the  
 2 document is, please?

3 MR. SMITH: It's City of Detroit Assessing  
 4 Division Observation and Opportunities by Plante  
 5 Moran.

6 MR. STEWART: Just for the record, the control  
 7 numbers probably, too, for those who don't have it  
 8 in front of them.

9 MR. ALBERTS: Thank you.

10 BY MR. SMITH:

11 Q. At the bottom of Page 5, there's some  
 12 observations in the document. The last bullet says  
 13 a review of Tribunal opinions and judgments reveals  
 14 that there have been instances in which appraisers  
 15 were not present for hearings thereby leaving the  
 16 City unrepresented. Do you see that?

17 A. Uh-huh.

18 Q. Were you aware that people from the  
 19 appraiser's office weren't showing up for hearings  
 20 on property taxes that were owed?

21 A. No.

22 Q. Then if you turn over to Page 21 -- well,  
 23 let me ask you this first before we get to the  
 24 document.

25 Do you agree with me that in valuing real

1 supposed to be determined by arm's length  
 2 transactions.

3 Sitting here today, you don't dispute  
 4 that, correct?

5 A. Correct.

6 Q. And it says one assessor estimates that of  
 7 the 12,000 sales included in last year's sales  
 8 study, only 550 were arm's length transactions. Do  
 9 you see that?

10 A. I do.

11 Q. Were you aware of that information before  
 12 you formulated your opinions?

13 A. I have not read this document, no.

14 Q. Were you aware of that information from  
 15 any source, though, before you formulated your  
 16 opinions?

17 A. The specific information, no.

18 Q. Were you aware that the vast majority of  
 19 transactions that form the basis for the valuations  
 20 you've been given for real estate are not arm's  
 21 length transactions before you formulated your  
 22 opinions?

23 A. So I knew, obviously, they were not arm's  
 24 length transactions, so I was aware of some of it.  
 25 This particular number I didn't know.

1 Q. Were you aware that the majority of  
 2 transactions that form the basis for valuations  
 3 you've been provided were not arm's length  
 4 transactions before you formulated your opinions?

5 A. I didn't know if it was the majority.

6 Q. Did you know the percentage at all of the  
 7 transactions that were not arm's length that form  
 8 the basis for the valuation you were provided?

9 A. I did not know what percentage were not  
 10 arm's length transactions.

11 Q. Would it be fair to say you're not  
 12 qualified to assess the reliability of the real  
 13 estate valuations for property in Detroit that  
 14 you've been provided?

15 A. I was not asked to assess the reliability  
 16 of the assessments.

17 Q. Would you be qualified to assess the  
 18 reliability of the assessments you've used in your  
 19 forecast?

20 A. What do you mean qualified?

21 Q. I mean are you somebody who is qualified  
 22 enough to be able to tell how reliable the  
 23 assessment valuations that you've been given are,  
 24 or does that require somebody with a different  
 25 skill set?

1 A. So in the work that I did, I did some  
 2 analysis of the assessments and came to my  
 3 conclusion that they were overassessed. I did not  
 4 systematically look at their transactions and their  
 5 process of assessing.

6 Q. Okay. So one of the bases for your  
 7 forecast is your determination that property is  
 8 overassessed in the city, correct?

9 A. I do think property was overassessed, yes.

10 Q. You've never been trained in property  
 11 assessment, correct?

12 A. I have not been trained to assess  
 13 property.

14 Q. Do you know whether there's standards  
 15 governing property assessment?

16 A. There are methods for assessing property,  
 17 yes.

18 Q. And have you been trained in those methods?

19 A. Formally trained on those methods?

20 Q. Yes.

21 A. I have not.

22 (Document marked No. 2)

23 Q. Were you aware -- let me hand you what's  
 24 been marked as Exhibit 2. It's a news article  
 25 entitled Detroit's Property System Plagued By

1 Mistakes, Waste. Have you ever seen this article?  
 2 A. I don't think so.  
 3 Q. Have you seen any of the news articles  
 4 that have been issued on the problems with Detroit  
 5 property collections?

6 A. I have seen news articles on this issue.

7 Q. Okay. And the first sentence says the  
 8 city's property tax system is riddled with errors  
 9 and waste and is overseen by a pair of  
 10 double-dipping officials who work just two days a  
 11 week the Detroit news investigation has found. Do  
 12 you see that?

13 A. Uh-huh.

14 Q. Were you aware of that information before  
 15 you formulated your opinions?

16 A. Was I aware of this reporter's opinion  
 17 that the City's tax system is riddled with errors  
 18 and waste? What's the date on this? No.

19 Q. Were you aware of people who had come to  
 20 the conclusion, though, that the Detroit property  
 21 tax system is riddled with errors and waste before  
 22 you formulated your opinions?

23 A. I don't know about waste or what the  
 24 definition -- I, obviously, had conversations where  
 25 people talked about the property being overassessed

1       A. Okay.

2       Q. Were you aware that Ernst & Young had  
3 conducted a review of the property collection  
4 processes in Detroit before you worked on your  
5 opinions?

6       A. No.

7       Q. And nobody has provided you with a copy of  
8 the report in which Ernst & Young concluded that  
9 departments in the city relating to property taxes  
10 have a prevailing culture which is riddled with  
11 bureaucracy and a lack of accountability? Do you  
12 see that?

13      A. Uh-huh. I did not receive a report that  
14 Ernst & Young had done.

15      Q. And you're not in a position to dispute  
16 Ernst & Young's conclusions that the City's  
17 departments charged with property tax collection  
18 have a prevailing culture which is riddled with  
19 bureaucracy and a lack of accountability, correct?

20      MR. STEWART: Objection.

21      THE WITNESS: I didn't work on this report, and  
22 I've not seen it, so I can't comment on it.

23      BY MR. SMITH:

24      Q. Were you even told who at Ernst & Young  
25 might have done reviews of the City's property tax

1 something that you've seen?

2       A. I may have seen it. I'm not recalling  
3 whether I read this or not.

4       Q. Going back to the -- were you aware that  
5 property tax bills were frequently sent to the  
6 wrong address in Detroit?

7       A. No, I wasn't aware.

8       Q. Were you aware that homeowners exemptions  
9 have been granted to people without proof of  
10 eligibility in Detroit?

11      A. No, I wasn't aware.

12      Q. Were you aware that the City is going to  
13 undertake a review because it believes that there  
14 may be people that are improperly taking homeowners  
15 exemptions?

16      A. I was not aware of that.

17      Q. Are you aware that the City has begun  
18 implementing reforms of its property tax collection  
19 system to improve revenues?

20      A. I've had some conversations that note that  
21 they've done some -- they're working on that. I  
22 don't know any specifics.

23      Q. Who have you had those conversations with?

24      A. Just conversations with the Detroit team,  
25 the EY Detroit team, so I don't remember who

1 collection processes?

2       A. I know the team in Detroit, but I don't  
3 know who did this study.

4       Q. Okay. So the team in Detroit you've been  
5 working with daily never informed you that they had  
6 done a review of the City's property tax  
7 collections and found that it was riddled with  
8 bureaucracy and had a lack of accountability, correct?

9           (Document marked No. 3 and No. 4)

10      A. We never had a specific conversation about  
11 a report that reached those findings, no.

12      Q. Let me hand you what's been marked as  
13 Exhibit 3. I'm just wondering if you've ever seen  
14 this document before?

15      A. No.

16      MR. STEWART: Before you testify about it --

17      MR. SMITH: I don't have any questions about it  
18 other than whether she's seen it.

19      THE WITNESS: No, I haven't seen it.

20      BY MR. SMITH:

21      Q. Okay. I'm going to hand you what's been  
22 marked as Exhibit 4, which is a Detroit news  
23 article entitled Half of Detroit Property Owners  
24 Don't Pay Taxes, and you can let me know if you've  
25 ever seen this news article before. Is that

1 specifically, though.

2       Q. Do you know what an equalization factor  
3 is?

4       A. I do.

5       Q. And you know that an equalization factor  
6 of 1 means that property is properly assessed in  
7 the view of the county, correct?

8       A. It means that the county believes property  
9 has not systematically been over or underassessed.

10      Q. And in fact, Detroit has always received a  
11 value of 1 meaning that property is not over or  
12 underassessed, correct?

13      A. I wouldn't reach that conclusion. The  
14 county has given them an equalization factor of 1,  
15 and so the processes that they're following have  
16 given them an equalization factor of 1. That  
17 doesn't mean that in reality or by other measures,  
18 the property is not over or underassessed.

19      Q. You're aware that the county has always  
20 given Detroit an equalization factor of 1, correct?

21      A. I don't know always. I know when I looked  
22 at the last 10 years, they've received an  
23 equalization factor of 1.

24      Q. You're not aware of any instance where the  
25 City of Detroit didn't receive an equalization

1 factor of 1, correct?  
 2 A. When I looked narrowly at the last  
 3 10 years, they received a factor of 1.  
 4 MR. SMITH: Can we take a break real quick.  
 5 THE VIDEOGRAPHER: Off the record. The time is  
 6 10:47 a.m.  
 7 (Whereupon, a short break was taken.)  
 8 THE VIDEOGRAPHER: We are back on the record.  
 9 The time is 10:56 a.m.  
 10 (Document marked No. 5)  
 11 BY MR. SMITH:  
 12 Q. Okay. Ms. Sallee, I'm going to hand you  
 13 what's been marked as Exhibit 5. It's some  
 14 excerpts from Mr. Evanko's deposition. On Page 36,  
 15 if you open it up, 36 is the first page in here.  
 16 At the top, he's talking about the equalization  
 17 factor. Do you see that?  
 18 A. Uh-huh.  
 19 MR. STEWART: Before any questions are asked or  
 20 answered, I'm going to interpose an objection. The  
 21 judge has made it very clear, Mr. Smith, that  
 22 asking one witness about another witness's  
 23 testimony is improper. He has barred it. And as  
 24 you're aware, under Rule 30, the Federal Rules of  
 25 Evidence apply to depositions. You're not allowed

1 govern depositions, and it's an improper use of a  
 2 witness's testimony to show it to another witness.  
 3 I'm not going to instruct her not to answer it, but  
 4 I'm going to put in a categorical objection to  
 5 every single question you ask of this because it's  
 6 improper, and the judge has already told  
 7 Mr. Hackney in court not to do this.  
 8 MR. SMITH: Okay. Why don't we put aside the  
 9 deposition for a second. Is there any bar, in your  
 10 opinion, to showing the witness testimony of  
 11 Mr. Evanko before --  
 12 MR. STEWART: Yes. It's improper. It's  
 13 inherently asking her to speculate about somebody  
 14 else's testimony.  
 15 MR. SMITH: Okay. But outside of the  
 16 deposition, your opinion is nobody can see the  
 17 depositions outside?  
 18 MR. STEWART: No. You're not allowed to  
 19 examine a witness about the testimony of another  
 20 witness. That's what the evidentiary rule is, and  
 21 you know that very well.  
 22 MR. SMITH: No, I don't know that that's the  
 23 rule actually. I've never heard of that rule in my  
 24 life, but --  
 25 MR. STEWART: Well, maybe you should share it

1 to ask any of these questions. It's an improper  
 2 line of questioning.  
 3 MR. SMITH: Okay. So your position is she's  
 4 not allowed to look at the Evanko deposition?  
 5 MR. STEWART: No. My position, I'd like you to  
 6 not interrupt me. That's my position.  
 7 MR. SMITH: You're wasting time.  
 8 MR. STEWART: Wait. You just took a  
 9 nine-minute bathroom break, and you're telling me  
 10 I'm wasting time?  
 11 MR. SMITH: The witness went to the bathroom,  
 12 too, right? The witness went to the bathroom at  
 13 the last break.  
 14 MR. STEWART: Because you were sitting going  
 15 through your papers because were not prepared.  
 16 MR. SMITH: No. I went to the bathroom. The  
 17 witness went to the bathroom, right?  
 18 MR. STEWART: No.  
 19 MR. SMITH: Did the witness go to the bathroom?  
 20 MR. STEWART: We were both sitting here five  
 21 minutes while you were shuffling your papers. Then  
 22 people decided to go because we weren't sure what  
 23 you were up to.  
 24 Now, let me finish my objection. As you  
 25 know, under Rule 30, the Federal Rules of Evidence

1 with Judge Rhodes.  
 2 BY MR. SMITH:  
 3 Q. Has anybody communicated to you that  
 4 Mr. Evanko has called your forecast ridiculous?  
 5 MR. STEWART: What part of this are we looking  
 6 at?  
 7 MR. SMITH: We're not looking at the testimony.  
 8 I put it aside.  
 9 MR. STEWART: Okay.  
 10 THE WITNESS: I don't remember anyone telling  
 11 me that he said my -- our forecast was ridiculous.  
 12 BY MR. SMITH:  
 13 Q. Has anybody shared with you Mr. Evanko's  
 14 criticisms of your forecast?  
 15 A. Mr. Evanko's criticism of our forecast,  
 16 no. I haven't received specific -- I haven't -- I  
 17 haven't been told of his criticisms of the  
 18 forecast.  
 19 Q. If Mr. Evanko made criticisms of your  
 20 forecast, would you want to know that?  
 21 A. Would I want to know that? At this point,  
 22 they've been completed, but -- so would I want to  
 23 know that? As a matter of just knowledge, sure.  
 24 Q. Well, you understand you're going to  
 25 testify at the confirmation hearing, right?

1     A. I'm going to testify at the confirmation  
2 hearing for this matter, yes.

3     Q. And before the confirmation hearing,  
4 wouldn't you want to know if Mr. Evanko had  
5 characterized -- had criticisms of your forecast?

6     A. I would like to know.

7     Q. And why would you like to know that?

8     A. I would find it surprising.

9     Q. You agree that equalization factor of 1  
10 means the county has determined that property is  
11 being properly assessed and not overassessed or  
12 underassessed, correct?

13    A. Equalization factor means that the county  
14 believes the process has not systematically over or  
15 underassessed property.

16    Q. And currently you understand that the  
17 county is giving Detroit an equalization factor of  
18 1, correct?

19    A. The county is giving Detroit an  
20 equalization factor of 1.

21    Q. And it would be unlawful for the City to  
22 assess property in any way that was inconsistent  
23 with what the county was saying, correct?

24    MR. STEWART: Objection.

25    THE WITNESS: I don't understand that question.

1     BY MR. SMITH:

2     Q. So property taxes would be changed on the  
3 properties if the equalization factor were  
4 different than 1, correct?

5     A. Property taxes are based on taxable value,  
6 and state -- you're talking about the state  
7 equalized value, which is a different concept.

8     Q. Do you -- would it be fair to say that  
9 your opinion that Detroit property is overassessed  
10 is inconsistent with the determination of the  
11 county?

12    A. I don't know inconsistent. The county has  
13 their process by which they review and they assign  
14 an equalization factor. And using their rules,  
15 they've come up with their opinions. And I've  
16 looked at it differently, and I come up with my own  
17 opinion that it's overassessed.

18    Q. Okay. So the methodology you used for  
19 determining assessments whether properties are  
20 properly assessed in the city is different than the  
21 county's methodology, correct?

22    A. It could be. I don't know.

23    Q. You don't know what methodology the county  
24 uses, correct?

25    A. I don't know specifically what they looked

1     BY MR. SMITH:

2     Q. It would be unlawful for the City of  
3 Detroit to assess property in any way that was  
4 inconsistent with the way the county assessed  
5 property, correct?

6     MR. STEWART: Objection.

7     THE WITNESS: I don't know. There are rules  
8 governing how property must be assessed, and so  
9 municipalities have to follow those, and the county  
10 has to follow their procedures as well.

11    BY MR. SMITH:

12    Q. And if the county assessed an equalization  
13 factor different than 1, Detroit would have to  
14 change its assessments, correct?

15    A. The equalization factor would be applied  
16 to what the City had assessed, and it would be  
17 modified in those ways. In that way.

18    Q. Okay. So it would -- if the county  
19 implemented a different equalization factor other  
20 than 1, then as a matter of law, the assessments  
21 would be changed, correct?

22    MR. STEWART: Objection.

23    THE WITNESS: I don't know if the assessments  
24 would be changed. The assessment factor is  
25 multiplied by what the City produces.

1     at in determining the equalization factor.

2     Q. The county's conclusion that property is  
3 properly assessed, though, is inconsistent with  
4 your conclusion that it's overassessed, correct?

5     A. The county in using the equalization  
6 factor has said that it's not under or  
7 overassessed, and my conclusion is that it's  
8 overassessed.

9     Q. So you've come to inconsistent conclusions  
10 with the county, correct?

11    A. My opinion is different than the county's.

12    Q. The planned reassessment, do you know who  
13 is going to be conducting that?

14    A. No.

15    Q. Do you know what method will be used for  
16 the planned reassessment?

17    A. I understand generally how they go about  
18 reassessing.

19    Q. But do you know -- I mean, do you know  
20 what reassessment methodology the unidentified  
21 contractor who is doing the reassessment is going  
22 to employ?

23    A. I do not know specifically what they're  
24 going to do.

25    Q. Do you know how long the planned

1 reassessment is going to take?  
 2 A. I was told it would take three to five  
 3 years.  
 4 Q. Who told you that?  
 5 A. Alvin Horhn.  
 6 Q. Is that somebody at the City?  
 7 A. It is.  
 8 Q. And do you know when the planned  
 9 reassessment will begin?  
 10 A. Initially I was told they wanted to have a  
 11 contract in place by March 2014. The last time I  
 12 checked to see if a contract was in place I was  
 13 told they were working on that, or they thought  
 14 they were going to have it done this month.  
 15 Q. Okay. So so far there's no contract, as  
 16 far as you're aware, that has been written for the  
 17 reassessment?  
 18 A. I don't know if a contract is in place.  
 19 Q. And have you also been told that the  
 20 reassessment could take longer than five years?  
 21 A. I have not been told that.  
 22 Q. Do you know when -- do you know whether  
 23 it's possible that the reassessment may not occur?  
 24 A. I don't know anything about the contract.  
 25 Q. Would it be fair to say that you just

1 let me ask you this. Would you want to know if  
 2 Mr. Evanko determined that your forecast of the  
 3 personal property tax was ridiculous?  
 4 A. Would I want to know that? That, again,  
 5 would be surprising.  
 6 Q. Is that something you would want to know?  
 7 A. It would be something I would be  
 8 interested in, sure.  
 9 Q. Did you ever submit your forecast to  
 10 anyone at the City to solicit their opinion after  
 11 you were done about whether your forecast was  
 12 reasonable?  
 13 A. We discussed sending the forecast to the  
 14 City back when we started a year ago, and I don't  
 15 believe we ever did that. They did review our  
 16 forecast. I had a conversation in January with  
 17 Gary Evanko, and he had seen what we put together  
 18 is my recollection, so we had conversations about  
 19 the forecast for sure.  
 20 Q. So Mr. Evanko's familiar with details of  
 21 your forecast, correct?  
 22 MR. STEWART: Objection.  
 23 THE WITNESS: I don't know if he's familiar  
 24 with the details. I couldn't say for him.  
 25

1 can't provide us with any specifics about what the  
 2 planned reassessment is going to entail one way or  
 3 the other?  
 4 A. I don't know the specifics about the  
 5 reassessment. I know generally what they're going  
 6 to do.  
 7 Q. Has anybody informed you regarding  
 8 Mr. Evanko's opinion that the reassessment -- he  
 9 doesn't know whether it's going to increase or  
 10 decrease property values?  
 11 MR. STEWART: Objection.  
 12 THE WITNESS: I have not been told what  
 13 Mr. Evanko said during his deposition about that  
 14 matter.  
 15 BY MR. SMITH:  
 16 Q. Wouldn't you want to know if Mr. Evanko  
 17 said that he couldn't say that the property  
 18 reassessment would result in lower property values?  
 19 A. What's the question?  
 20 Q. Wouldn't you want to know if Mr. Evanko's  
 21 opinion was that the property values would not  
 22 necessarily change under the planned reassessment?  
 23 A. I guess I would want to know that. That  
 24 would be surprising.  
 25 Q. Would it be surprising to you if -- well,

1 BY MR. SMITH:  
 2 Q. You didn't -- the current forecast,  
 3 though, the one that's been completed in July, you  
 4 never resubmitted that to the assessor's office to  
 5 determine if they thought that it was reliable and  
 6 accurate, correct?  
 7 A. I did not turn over the July forecast to  
 8 the City. I did not provide it to them.  
 9 Q. Do you agree there are -- well, we've  
 10 talked about how there are a lot of people that are  
 11 in Detroit that are delinquent on their property  
 12 taxes. Do you recall that?  
 13 MR. STEWART: Objection.  
 14 THE WITNESS: We talked about -- you showed me  
 15 some articles about that.  
 16 BY MR. SMITH:  
 17 Q. And you agree there are many reasons that  
 18 people don't pay their property taxes, right?  
 19 A. Yeah, there are many reasons.  
 20 Q. One reason people may not pay their  
 21 property taxes is if they believe that enforcement  
 22 efforts are lax, correct?  
 23 MR. STEWART: Objection.  
 24 THE WITNESS: I don't know specifically why  
 25 people are not paying their taxes.

1 BY MR. SMITH:

2 Q. So you --

3 A. It would be speculation. I don't know.

4 Q. You haven't undertaken any analysis to  
5 determine why people in Detroit aren't paying their  
6 taxes?

7 A. I have not undertaken an analysis other  
8 than reading articles about what people say.

9 Q. Okay. And you've seen then statements  
10 that people say they're not paying property taxes  
11 because city services are poor, correct?

12 A. I could have read something about that.

13 Q. And have you also seen statements that  
14 people aren't paying taxes on their property  
15 because they believe assessments may be inaccurate?

16 A. I have read that.

17 Q. Have you seen statements that people may  
18 not be paying taxes on their property because they  
19 believe the City doesn't enforce the property tax?

20 A. I don't recall any article about that.

21 Maybe it's in one of them that you just showed me.

22 Q. Have you undertaken any investigation into  
23 what enforcement efforts the City makes on property  
24 taxes?

25 A. No. That was assigned to a different

1 or 80 percent?

2 A. I'm going off memory, and so I believe it  
3 was -- it was over 70 percent.

4 Q. Can you identify any city in the country  
5 that has a lower property tax collection rate than  
6 Detroit?

7 A. I haven't studied other municipalities'  
8 collection rates, so I don't know.

9 Q. And so you can't identify any?

10 A. I can't speak to that question. I don't  
11 know.

12 Q. Well, you've worked with some other  
13 cities, right?

14 A. I have worked on projects that involved  
15 other cities, yes.

16 Q. Okay. So based on your experience with  
17 other cities, you can't identify any city that has  
18 a lower property tax collection rate than Detroit,  
19 correct?

20 A. I haven't looked at collection rates for  
21 other cities, so I wouldn't know.

22 Q. Well, Flint you know?

23 A. Flint I know.

24 Q. Do you agree that there are a number of  
25 factors other than taxes that impact a person's

1 group.

2 Q. When you say assigned to a different  
3 group, who was that assigned to?

4 A. My understanding is that Conway &  
5 MacKenzie and others were looking at those issues.

6 Q. Given the collection rates in the city,  
7 though, it's obvious that the City is not doing a  
8 good job of collecting property taxes, correct?

9 MR. STEWART: Objection.

10 THE WITNESS: I don't know what you mean by  
11 good job.

12 BY MR. SMITH:

13 Q. Okay. Well, in your view, how would you  
14 characterize the City's job in collecting the  
15 taxes?

16 A. I can't speak to the City's job. I know  
17 their collection rates are -- for residential  
18 property in particular, you know, is at 50 percent,  
19 so it's lower compared to, say, Flint for example.

20 Q. Do you know what Flint's collection rate  
21 was on property taxes?

22 A. Off the top of my head, I can't give you  
23 year by year. They've had lower collection rates  
24 recently with their fiscal problems, but --

25 Q. Is the collection rate in Flint above 70

1 decision whether to live in a city?

2 A. I would agree with that.

3 Q. Do you know whether there are corporations  
4 that are exempt from the property tax in the city?

5 A. Do I know if there are corporations that  
6 are exempt from property tax?

7 Q. Yeah.

8 A. There are property that is exempt. I  
9 don't know the specific names of any of the  
10 companies that have exemptions.

11 Q. Do you have any idea of the proportion of  
12 property that is exempt from the property tax?

13 A. I do.

14 Q. Can you give me the numbers in the  
15 ballpark?

16 A. Yes. So in fiscal year 2015, about  
17 11 percent of taxable value is in a Renaissance  
18 Zone and is exempt from general operating taxes.

19 Q. Are there other property tax exemptions  
20 that apply in Detroit?

21 A. There are.

22 Q. And how much property is exempt under  
23 other exemptions?

24 A. When I looked at this, a very small  
25 amount, so less than -- I would say approximately,

1 I'm going off memory, about 1 percent or so of  
 2 taxable value when I looked at, say, the industrial  
 3 facilities tax, and then there are others that I  
 4 was not given data, so I don't know.

5 Q. And you know that property tax collections  
 6 historically have been higher in the city of  
 7 Detroit, correct?

8 A. Historically meaning just what?

9 Q. In the last few years since 2005, there  
 10 have been higher collection rates in the city of  
 11 Detroit, correct?

12 A. There are have been higher collection  
 13 rates, yes.

14 Q. And how high have the collection rates  
 15 have gone in prior years?

16 A. So I can tell you from memory that in  
 17 2007, I know residential collection rates -- I'm  
 18 sorry. Collection rates on residential property  
 19 was around 70 percent. I can't recall specifically  
 20 industrial/commercial off the top of my head, but  
 21 they're already around in the 80s.

22 Q. Do you recall that residential collection  
 23 rates were as high as -- they were over 76 percent  
 24 in 2008?

25 A. That sounds right.

1 about.

2 Q. And you anticipate the blight reduction  
 3 effort should increase collection rates?

4 A. So blight reduction will remove -- well,  
 5 so removal of blight properties off the tax roll  
 6 would mean that the tax base becomes smaller, and  
 7 you should see the collection rates go up.

8 Q. Do you agree the blight reduction should  
 9 increase property values?

10 A. It could.

11 Q. And that's the City's goal, in part, in  
 12 blight reduction to increase the value of property  
 13 in the city, correct?

14 A. I don't know the City's goal.

15 Q. Have you done any investigation at all  
 16 into the City's blight reduction plans?

17 A. The only information on blight reduction  
 18 I've received is what was put together in the  
 19 restructuring and reinvestment initiatives.

20 Q. Have you done anything to look at other  
 21 cities and how they've improved property tax  
 22 collections?

23 A. I have not.

24 Q. You are aware, though, that there are  
 25 other cities that have improved their property tax

1 Q. And do you have any explanation for why  
 2 collection rates have decreased in the city of  
 3 Detroit in the last few years?

4 A. There are a couple of factors, I think, so  
 5 one is that the City was not removing blighted  
 6 property or abandoned property from its roll when  
 7 it was sending tax bills. So if you look at the  
 8 tax levy and then what's collected on it, the  
 9 collection rate was falling for that reason. So  
 10 once you start removing blighted properties and  
 11 others, you would see the collection rate go up,  
 12 but I think it contributed to its decline.

13 Q. Anything else that contributed to the  
 14 decline in collection rate?

15 A. The other issues would just be ones that I  
 16 read or people saying they didn't -- they thought  
 17 their taxes were too high and overassessed, and  
 18 they weren't going to pay.

19 Q. Anything else that contributed to a  
 20 decline in collection rates in Detroit?

21 A. I mean, there are sort of economic  
 22 factors, and people found they couldn't pay.

23 Q. Anything else that contributed to a  
 24 decline in collection rates in Detroit?

25 A. Nothing that I have specific information

1 collections through a variety of mechanisms,  
 2 correct?

3 A. I haven't looked at any other cities.

4 Q. Did Flint, Michigan improve its property  
 5 tax collections?

6 A. During what time frame or --

7 Q. Well, recently have they undertaken  
 8 efforts to improve property tax collections?

9 A. I don't know.

10 Q. Are you aware of the fact that there are  
 11 individuals in the city of Detroit, speculators and  
 12 investors, who are purchasing properties, not  
 13 paying the taxes and then allowing them to be  
 14 foreclosed and repurchasing them?

15 A. I don't have any specific information  
 16 related to that. I had a conversation with an EY  
 17 person who -- his impression was that's -- that  
 18 some of that was going on.

19 Q. And so there are people who are avoiding  
 20 paying property taxes by simply allowing property  
 21 going into foreclosure and then they repurchase the  
 22 property, correct?

23 A. My conversation with this one person said  
 24 that he thought some of that was going on.

25 Q. And that person was from Ernst & Young?

1 A. Uh-huh.  
 2 Q. And who was that person?  
 3 A. Dan Jerneycic.  
 4 Q. Do you agree that Detroit property tax  
 5 revenue per capita is modest compared to other  
 6 cities in Detroit?

7 MR. STEWART: Objection.  
 8 THE WITNESS: Do I agree that Detroit -- say  
 9 the question again.

10 BY MR. SMITH:

11 Q. Detroit property tax revenue per capita is  
 12 low compared to other cities in Detroit?

13 A. I don't have that analysis in front of me,  
 14 so I don't know.

15 (Document marked No. 6)

16 Q. Okay. Why don't I hand you what's been  
 17 marked as Exhibit 6, and you can let me know if  
 18 this is the CRC report that you've seen before.

19 A. Yes.

20 Q. And if you turn over to Page -- it's on  
 21 Page vi, Page 6 of the executive summary. There's  
 22 a section on property taxes there. Do you see that there?

23 A. Uh-huh.

24 Q. And you see that it has a chart listing  
 25 different cities with property tax per capita. Do

1 are -- I mean, Detroit, because its collection  
 2 rates are low, actually has low per-capita property  
 3 tax collections compared to other cities in  
 4 Michigan, correct?

5 A. There are a number of factors that lead to  
 6 tax collections, so I don't know what the  
 7 collection rates are in these other cities.

8 Q. Okay. Do you agree that Detroit has low  
 9 per-capita tax revenues from property taxes  
 10 compared to other cities in Michigan?

11 A. In this chart, Detroit is towards the  
 12 bottom in terms of city property tax revenue per  
 13 capita. These aren't all the cities in Michigan,  
 14 though.

15 Q. But the main cities in Michigan are listed  
 16 in that chart, correct?

17 A. The main cities meaning --

18 Q. Highest population cities.

19 A. Highest population cities? My scanning of  
 20 it is yes.

21 Q. Do you know whether the appraisal staff in  
 22 Detroit is unionized?

23 A. I don't know.

24 Q. Do you know whether it's uncommon for  
 25 appraiser staff to be unionized?

1 you see that?  
 2 A. Yeah.  
 3 Q. And there are a number of cities that have  
 4 higher property tax per capita than Detroit does,  
 5 correct?  
 6 A. In this chart, yes.  
 7 Q. And if you look at the paragraph just  
 8 before the heading income taxes, do you see that?  
 9 A. Okay.  
 10 Q. First in the second sentence, it says  
 11 although the 15.8 percent decline in Detroit's  
 12 taxable value between 2008 and 2012 was a smaller  
 13 percentage than the reduction in taxable value in  
 14 18 of the 24 largest cities in Michigan, collection  
 15 rates declined from 92.64 percent in 2008 to  
 16 83.68 percent in 2012. Do you see that?

17 A. I do.

18 Q. So first Detroit historically has suffered  
 19 smaller reductions in taxable value than other  
 20 cities in Michigan, correct?

21 A. That's what this says.

22 Q. And when you say this, that's the CRC  
 23 report that you've reviewed, correct?

24 A. Yes.

25 Q. And Michigan, because its collection rates

1 A. I don't know.  
 2 Q. Are you aware that there have been  
 3 proposals for improvement in property tax  
 4 collections by various consultants in the past in  
 5 Detroit?  
 6 A. I don't know about any specific proposal.  
 7 Q. Have you been provided with any of the  
 8 reviews by consultants who have proposed  
 9 improvements to property tax collections in  
 10 Detroit?  
 11 A. I don't know who has proposed certain --  
 12 who has put together proposals, so I don't know.  
 13 Q. And so you haven't been provided those  
 14 proposals?  
 15 A. I have not been provided those proposals  
 16 other than I received a memorandum from Plante  
 17 Moran. No. I'm just -- I have not received any  
 18 proposals. I have read memos about property taxes.  
 19 Q. Everybody recognizes that property tax  
 20 collections need to be improved by improving the  
 21 assessor's office in Detroit, correct?  
 22 MR. STEWART: Objection.  
 23 THE WITNESS: I don't know if everybody thinks  
 24 that. I don't know.

1 BY MR. SMITH:

2 Q. The City of Detroit certainly thinks that  
3 it needs to improve property tax collections,  
4 correct?

5 A. My conversations with the people at the  
6 City in the assessor's office has been that they  
7 would like to see collections improved.

8 Q. And they're taking active efforts to try  
9 to do that, correct?

10 A. I don't know what efforts they're doing.

11 Q. In your report, you relied on the  
12 Case-Shiller Home Price Index for Detroit. Do you  
13 recall that?

14 A. It is one of the things that I looked at.

15 Q. And you agree the Case-Shiller Index is a  
16 standard measure of housing prices, correct?

17 A. It is a measure of housing prices, yes.  
18 It's widely used.

19 Q. And it's a reliable -- Case-Shiller is a  
20 reliable measure of housing prices, correct?

21 A. What do you mean by reliable?

22 Q. I mean, people -- a lot of people in  
23 government, business, academia rely on the  
24 Case-Shiller Index for housing prices, correct?

25 A. Many people rely and look at it, yes.

1 from the Case-Shiller Property Index?

2 A. So the Case-Shiller Index was one source  
3 that I consulted in selecting my inputs.

4 Q. But didn't you use some different numbers  
5 for average housing selling prices in generating  
6 your forecast other than Case-Shiller?

7 A. I did.

8 Q. And what were those?

9 A. I used the Detroit Association of Realtors  
10 data.

11 Q. And did you use that updated to the  
12 present time or not?

13 A. I took the information through December  
14 2013, which was the last full year, and I pulled --  
15 I think I had through March, March or May. And so  
16 I looked at it, but in order to use it in  
17 comparison of other data, my analysis went through  
18 December 2013.

19 Q. Okay. And you know that the Detroit  
20 realtor information shows that housing prices  
21 continue to increase from the point you used,  
22 December 2013, to the most recent data in 2014?

23 A. Housing prices did go up, yes.

24 Q. In fact, housing prices have gone up  
25 fairly significantly in 2014 under the Detroit

1 Q. And you've done analyses where you've  
2 utilized the Case-Shiller Housing Price Index in  
3 the past for property valuations, haven't you?

4 A. I have looked at the Case-Shiller Index  
5 for projects in the past.

6 Q. And did you use the Case-Shiller Index in  
7 your work in Flint, Michigan?

8 A. I don't recall. I don't think so. I  
9 don't know if Flint is one of the -- I don't think  
10 it's one of the areas that the Case-Shiller Index  
11 would cover.

12 Q. I mean, why do people look at the  
13 Case-Shiller Housing Price Index?

14 A. It's viewed as a reputable source of  
15 trends in house prices.

16 Q. And did the creators of the Case-Shiller  
17 Housing Price Index, have they received the Nobel  
18 Prize?

19 A. Yes.

20 Q. They're widely respected economists,  
21 right?

22 A. They are widely respected economists, yes,  
23 I would agree.

24 Q. The -- in generating your forecasted  
25 values for revenues, did you actually use numbers

1 realtor data you used?

2 A. What is significant in your opinion?

3 Q. Well, do you know how much they've gone  
4 up?

5 A. I can't remember off the top of my head.

6 Q. It would be more than 10 percent, wouldn't it?

7 A. I don't recall.

8 Q. In the -- do you agree that based on all  
9 the data you've seen, real estate values in the  
10 city are increased in 2014?

11 A. The data I've looked at have shown real  
12 estate values increasing in residential.

(Document marked No. 7)

14 Q. And you're aware that there are -- let me  
15 just hand you a copy of what I'm going to mark as  
16 Exhibit 7. It's an article entitled Detroit Named  
17 a Top Turnaround Town For Residential Real Estate.

18 Do you have that in front of you?

19 A. Okay.

20 Q. And you've seen news stories and  
21 assessments that have indicated that Detroit is one  
22 of the markets in the country that's experienced  
23 the largest increases in home prices during 2014,  
24 correct?

25 A. I haven't compared Detroit to other

1 cities.

2 Q. Well, this assessment reports that, in the  
3 first sentence, Detroit's housing market ranks  
4 seventh overall in a realtor.com turnaround town  
5 study of the national housing market in the second  
6 quarter the real estate tracking firm said in a  
7 report Wednesday. Do you see that?

8 A. I do see that.

9 Q. And you don't dispute that, correct?

10 A. I have no idea how realtor.com did their  
11 analysis.

12 Q. Okay. Well, that's not my question. I  
13 mean, you don't dispute -- you haven't done the  
14 work necessary to dispute the fact that Detroit is  
15 one of the fastest growing markets in terms of  
16 housing prices in the country, correct?

17 MR. STEWART: Objection.

18 THE WITNESS: So I've looked at the most recent  
19 data for Detroit. I've not compared it to other  
20 cities.

21 BY MR. SMITH:

22 Q. So you can't identify any city with more  
23 rapidly growing housing prices in 2014 than Detroit  
24 sitting here today, correct?

25 A. Well, this says it's the seventh.

1 Q. You haven't done any analysis to determine  
2 the effect of the Detroit Land Bank on housing  
3 prices in Detroit, correct?

4 A. No.

5 Q. And you haven't done any analysis to  
6 determine the effect of the City's blight reduction  
7 efforts on housing prices, correct?

8 A. We -- in our forecast in a reinvestment  
9 scenario, we take into account removal of blight  
10 property as part of general economic improvement to  
11 the city, and so we've -- in that scenario, we've  
12 factored in removal of blight as a positive for our  
13 forecast.

14 Q. Do you actually know whether the forecasts  
15 that have been done attach a dollar value to blight removal in terms of improved  
16 revenue for the City?

17 A. What's the question?

18 Q. Do you actually know whether the forecasts  
19 that have been done attach a dollar amount for  
20 blight removal?

21 A. There has been money put in for each year  
22 for blight removal in what I've seen.

23 Q. But do you know in terms of increased  
24 revenue?

1 Q. Okay.

2 A. I haven't looked at it, though.

3 Q. I mean, you wouldn't find that surprising  
4 that it's the seventh most highest in terms of  
5 housing price growth, Detroit is?

6 A. From a very low base, it's had growth, so  
7 that seems plausible, sure.

8 Q. And in fact, you mentioned the Detroit  
9 Land Bank. Have you done any investigation into  
10 its operations?

11 A. I don't know its operations.

12 Q. Were you aware that the City had  
13 transferred 16,000 properties to the Detroit Land  
14 Bank recently?

15 A. No.

16 Q. Do you know that the Detroit Land Bank has  
17 recently had an auction of blighted properties?

18 A. Recently when?

19 Q. During the last year. I mean in this  
20 year.

21 A. They have had auctions, yes.

22 Q. And in fact, there's been high demand in  
23 the Detroit Land Bank auctions for blighted  
24 properties, correct?

25 A. I don't know.

1 A. There has not been a sort of one  
2 relationship done to say this much spending on  
3 blight translates into X dollars of revenue.

4 Q. And you've done no analysis that's tried  
5 to determine how much the blight removal will  
6 increase revenues to the City in your analysis, correct?

7 A. I have not. Right. So in my analysis, I  
8 did not look at the direct relationship between  
9 blight removal and property tax revenue.

10 (Document marked No. 8)

11 Q. Let me hand you what's been marked as  
12 Exhibit 8. It's a regional commerce paper from  
13 Detroit Regional Commerce. If you go to the first  
14 page entitled Detroit Facts, this document says  
15 that approximately 12 billion in private  
16 investments have been made in Detroit since 2006.

17 Do you have any basis to dispute that?

18 A. I have no idea where that number is coming  
19 from.

20 Q. Have you done any investigation into how  
21 much private investment has been made in Detroit in  
22 the past few years?

23 A. I've only read some articles on it.

24 Q. Okay. You know there's been significant  
25 private investment in Detroit in the last few

1 years, correct?  
 2 A. I don't know if it's significant.  
 3 Q. Can you tell me how much in dollar terms  
 4 investment has been made by private companies in  
 5 Detroit in the last few years?  
 6 A. I don't know.  
 7 Q. Can you tell me how many jobs Detroit has  
 8 added in the last few years?  
 9 A. Well, when we've looked at government  
 10 data, Detroit's employment has fallen.  
 11 Q. Okay. What government data have you  
 12 looked at during what period?  
 13 A. So when we -- so for example, we pulled  
 14 BLS data and used that information in doing -- I  
 15 would say this is something that Bob and Katie  
 16 looked at, and I know -- and just having  
 17 conversations and reviewing that employment has  
 18 fallen since they've looked at it, which has been  
 19 in the last what? I'm going off memory. I know  
 20 they pulled data going back to 2006, maybe even  
 21 before then.  
 22 Q. In the last year, do you know if  
 23 employment has increased or decreased in the city?  
 24 A. In the last year, I don't think that data  
 25 is out, so I don't know.

1 Q. With an average price of \$22,000 per  
 2 property. Do you see that?  
 3 A. I do.  
 4 Q. Before you did your analysis, were you  
 5 aware that the Detroit Land Bank had been able to  
 6 auction off 33 properties for a million dollars?  
 7 A. I was not aware of this information, no.  
 8 Q. Okay.  
 9 A. It's from what? June?  
 10 Q. Okay. So you haven't done any  
 11 investigation into the prices that the Detroit Land  
 12 Bank has been able to obtain for houses that it  
 13 sold through its auction process, correct?  
 14 A. I have not been told the prices they've  
 15 attained.  
 16 Q. And you've not also been told the amount  
 17 of revenue that Detroit Land Bank has generated by  
 18 selling blighted properties through auction,  
 19 correct?  
 20 A. The only information I was given on that  
 21 was a conversation with Dan Jerneycic where he  
 22 mentioned that properties had been sold, and there  
 23 would be some money coming back to Detroit because  
 24 they had paid a charge-back on the property taxes,  
 25 and that's all I was told.

1 Q. In the last period -- in the last year for  
 2 which there's data, do you know whether city  
 3 employment has increased or decreased?  
 4 A. I don't have it in front of me, so I don't  
 5 want to say. I can't remember.  
 6 Q. Are you aware or have you been provided  
 7 any of the reviews that have been done or audits on  
 8 the City's financial data?  
 9 A. I have not been provided those studies.  
 10 Q. Are you aware that auditors have made  
 11 findings saying that the financial data in the City  
 12 of Detroit is not reliable?  
 13 A. I have not been told any of that.  
 14 Q. Do you know who the City's auditors are?  
 15 A. No.  
 16 (Document marked No. 9)  
 17 Q. I'm going to hand you what's been marked  
 18 as Exhibit 9. It's an article entitled Will  
 19 Detroit Land Bank Auction Build Value For Housing  
 20 in Crain's Detroit. If you look at this article,  
 21 it talks about an auction of 33 homes. Do you see that?  
 22 A. Uh-huh. Yeah.  
 23 Q. And the bids that have been drawn in are  
 24 nearly \$1 million. Do you see that?  
 25 A. I do.

125

1 Q. Okay. I mean, did you do any calculation  
 2 to forecast the amount of money that Detroit would  
 3 receive from sale of properties through the Land  
 4 Bank?  
 5 A. No. So with the information he gave me,  
 6 it was very minimal.  
 7 Q. Okay. So that's -- your forecast does not  
 8 attempt to forecast revenue that the City may  
 9 obtain from selling properties through the Detroit  
 10 Land Bank, including property tax revenues,  
 11 correct?  
 12 MR. STEWART: Objection.  
 13 THE WITNESS: So the forecast does not  
 14 specifically look at the activities of the Land  
 15 Bank.  
 16 BY MR. SMITH:  
 17 Q. Okay. So it doesn't include amounts that  
 18 the City will receive from back property taxes  
 19 through sales through the Land Bank, correct?  
 20 A. The only thing is the relationship between  
 21 the net revolving fund in Detroit. And so if the  
 22 properties are auctioned off as they're supposed to  
 23 be, then the City would receive that information in  
 24 a timely manner as part of their net revolving fund  
 25 payment, so they wouldn't pay the additional

1 chargeback. And so that would be taken into  
2 account in our forecast.

3 Q. Okay. You haven't -- do you know whether  
4 the City of Detroit actually receives any funds  
5 from the sale of properties through the Land Bank?

6 A. So my understanding is that if the process  
7 is followed and the county does sell the property,  
8 the taxes are paid. The City of Detroit then is  
9 not charged back, and so it would be included as  
10 part of that net revolving fund payment.

11 Q. But the sale -- the sale price for the  
12 properties, do you know whether Detroit actually  
13 gets any of the sales price for the properties sold  
14 through the Land Bank?

15 A. I don't know. I don't know what they  
16 receive.

17 Q. Okay. So certainly you haven't forecasted  
18 any sums the City might receive from sales through  
19 the Land Bank for -- in terms of the sales price,  
20 correct?

21 A. I don't know what -- after all the taxes  
22 are paid, etcetera, I don't know what money is left  
23 over and how that's allocated. I don't know that.

24 Q. Would it be fair to say you're offering --  
25 you haven't been asked to offer any opinion about

1 Q. And have you relied on that as a source of  
2 information about employment data in your analysis?

3 A. It's one of the things that I looked at,  
4 yes.

5 Q. Do you know what source of information you  
6 looked at for information on population levels?

7 A. Yes.

8 Q. What source of information?

9 A. So the 10-year forecast uses the SEMCOG,  
10 Southeast Michigan Council of Government, forecast.

11 Q. And is that a Detroit-specific forecast or  
12 is that statewide information?

13 A. So SEMCOG did a regional, I believe,  
14 seven-county forecast, and then within the  
15 counties, they did specific municipalities, and  
16 Detroit was one of them.

17 (Document marked No. 10)

18 Q. I'm going to hand you what's been marked  
19 as Exhibit 10. Let me know is this the type of  
20 Bureau of Labor Statistics data on employment levels  
21 that you have looked at in formulating your opinions?

22 A. This looks right.

23 Q. And the Bureau of Labor Statistics is a  
24 reliable source of information on employment data,  
25 correct?

127 the Detroit Land Bank?

2 A. I have not been asked about the Land Bank.

3 Q. You can't testify about the Land Bank's  
4 operations?

5 A. I cannot testify about the operations at  
6 the Land Bank.

7 Q. You can't testify about the Land Bank's  
8 effect on the economy in Detroit?

9 A. I don't know how the Land Bank is  
10 affecting the economy in Detroit.

11 Q. You can't testify about the Land Bank's  
12 effect on property tax revenues, correct?

13 A. Outside of the normal working process with  
14 the revolving fund, I don't know anything besides  
15 how the process is supposed to work.

16 Q. But you can't testify about the Detroit  
17 Land Bank's effect on property taxes through  
18 improved real estate values or other mechanisms,  
19 correct?

20 A. I don't see how it would affect it, but  
21 you're right. I wouldn't testify about that.

22 Q. The Bureau of Labor Statistics is a  
23 reliable source of information on employment data.  
24 You would agree with that, correct?

25 A. I would agree with that.

1 A. I do think it's reliable, yes.

2 Q. And the employment levels in the city of  
3 Detroit currently are higher than they were in  
4 2010, correct?

5 A. So you're looking at which numbers?

6 Q. The current level -- employment levels  
7 compared to 2010 in the graph.

8 A. They are higher.

9 Q. And the employment levels in the city  
10 currently are higher than in -- during many periods  
11 during 2011, correct?

12 A. I'm sorry. You said during 2011 --

13 Q. The employment levels in the city  
14 currently are higher than during most periods in  
15 2011, correct?

16 A. So current employment is higher than in  
17 most periods in 2011 is your question?

18 Q. Yeah.

19 A. I guess it depends on the period.

20 Q. Okay. During most of the months in 2011,  
21 employment was lower than it is currently in  
22 Detroit, correct?

23 A. It looks that way, yes.

24 Q. And the same is true for 2012, correct?

25 A. It looks like yeah.

1       Q. And there's been a recent uptick in 2014  
 2 in employment, correct?

3       A. The seasonally unadjusted data is higher  
 4 than some of the 2010, 2011 periods.

5       Q. And in fact, there's an inflection point in  
 6 the data now that the employment is going up,  
 7 correct?

8       A. Where is the inflection point?

9       Q. Around April of 2014, April and March.

10      A. There was a downward trend between, it  
  11 looks like, December 2013 down to April 2014, and  
  12 then May 2014 it's slightly higher.

13      Q. Do you know what period of time the  
  14 employment data that you looked at for your  
  15 analysis?

16      A. So we -- so primarily Bob Cline with the  
  17 assistance of Katie Ballard used the employment  
  18 information in their forecast, and so they did --  
  19 they pulled the historical data, did the trend  
  20 analysis, so they would be the ones to better speak  
  21 to it.

22      Q. I mean, did you use the trend analysis by  
  23 Mr. Cline and Ms. Ballard in your forecast?

24      A. So they did the trend analysis, and then I  
  25 looked to see what their employment forecasts were

1       Q. You know there are private entities that  
 2 have pledged money to assist the City and improve  
 3 its economy and reduce blight, correct?

4       A. I know that private entity have pledged  
 5 money. I don't know off the top of my head for  
 6 what purposes.

7       Q. You've done no analysis of the impact of  
 8 private donations on property tax revenues in the  
 9 city, correct?

10      A. The only way it would factor into the  
  11 analysis is private donation improving the economy  
  12 and stabilizing some of the negative aspects of  
  13 Detroit, and then that shows up in our reinvestment  
  14 scenario.

15      Q. So private donation improving the economy  
  16 can improve property tax revenues, correct?

17      A. It's possible.

18      Q. And -- but as far as you're aware, nobody  
  19 has tried to forecast the amount of private  
  20 donations over the next 10 years for the City,  
  21 correct?

22      A. I don't know if that's been done.

23      Q. Okay. As far as you're aware, there's no  
  24 analysis that's been done to try to show the impact  
  25 of private donations on City revenues, correct?

1 based on that analysis so that my analysis was  
 2 consistent with theirs.

3       Q. And did they forecast decrease in  
 4 employment?

5       A. They did.

6       Q. Do you have any idea how they arrived at  
 7 their forecast of decreasing employment after  
 8 looking at the Bureau of Labor Statistics data?

9       MR. STEWART: Objection.

10      THE WITNESS: So generally I know what they  
  11 did. They performed an analysis looking at the  
  12 historical trend and the relationship between  
  13 Detroit and the rest of the state, and so they used  
  14 that information to forecast employment trends with  
  15 relationship to the state forecast.

16      BY MR. SMITH:

17      Q. Okay. Can you explain to me how the  
  18 employment forecast was actually calculated that  
  19 you relied on?

20      A. Other than generally saying, I was not the  
  21 one that did it, so no.

22      Q. And who was the person who you understood  
  23 did that forecast?

24      A. Bob Cline with the assistance of Katie  
  25 Ballard.

1       A. I don't know if it's been done.

2       Q. You certainly didn't do any analysis to  
  3 assess the impact of private donations on the  
  4 housing market or private tax revenues, correct?

5       A. As I said before, only in that if as part  
  6 of reinvestment in the city, private donations  
  7 occur and it helps to improve the economic  
  8 environment, then that's been factored into the  
  9 reinvestment scenario.

10      Q. But you don't know if the reinvestment  
  11 scenarios tried to forecast the amount of private  
  12 donations that will come into the city, correct?

13      A. I don't know how private donations are  
  14 included in that.

15      Q. And you don't know how the reinvestment  
  16 forecast was put together, correct?

17      A. I was shown the reinvestment forecast. I  
  18 don't know how it was put together.

19      Q. And you didn't do anything to test the  
  20 reliability of the reinvestment forecast, correct?

21      A. So as before, you can only test, I think,  
  22 reliability with actuals, and it hasn't occurred,  
  23 so I don't know.

24      Q. Do you know who actually put together the  
  25 reinvestment forecast?

1       A. I don't know specifically who did.

2       Q. You used the reinvestment forecast to  
3 generate some of your forecast; is that fair?

4       A. I would not say generate. I would say  
5 that I looked to see what was put together for  
6 reinvestment for further reinvestment initiatives,  
7 and that helped think about how we selected our  
8 growth rates in that reinvestment scenario.

9       Q. Were numbers from the reinvestment  
10 forecast plugged into your forecast?

11      A. Were numbers for the reinvestment forecast  
12 plugged into our forecast? No.

13      Q. Did you use the reinvestment forecast to  
14 generate some of the assumptions for your forecast?

15      A. It was something that was looked at along  
16 with other things in terms -- in how we put  
17 together the reinvestment scenario.

18       (Document marked No. 11)

19      Q. I'm going to hand you a copy of what's  
20 been marked as Exhibit 11, which is from the  
21 Case-Shiller Detroit Home Price Index, and let me  
22 know if this is the type of data that you have  
23 reviewed regarding housing prices.

24      A. Yeah.

25      Q. And the Case-Shiller Index shows the

1       Q. But overall, your model, the way it's  
2 constructed, could show a decrease in property tax  
3 revenue even if the Case-Shiller Home Price Index  
4 shows housing prices are going up, correct?

5       A. So the Case-Shiller Detroit Home Price  
6 Index is for the Detroit metro region, and so the  
7 metro region could see home price indexes go up.  
8 And we show that other factors mean that taxable  
9 value declines, and so tax revenues go down.

10      Q. And there's not -- in your model, you're  
11 assuming there's not necessarily a link between  
12 actual home values or prices as measured in the  
13 Case-Shiller Index and taxable value, correct?

14      A. So the relationship is whether the selling  
15 of the home price when it's reset -- when the  
16 taxable value is reset after the sale, whether it  
17 was higher or lower than what the taxable value had  
18 been the year before. That's what matters.

19      Q. In your forecast, you're predicting a  
20 large decrease in property tax revenue and assessed  
21 values even though the Case-Shiller Index shows  
22 that property -- home prices have been increasing  
23 for the last two years, correct?

24      A. So in our model, we have taxable value  
25 continuing to decline even with some improvements

1 housing prices have been increasing in Detroit over  
2 the last two years, correct?

3       A. The Michigan Detroit Home Price Index is  
4 going up, yes.

5       Q. And there was an inflection point around  
6 2010; is that correct? It's a little bit light on there.

7       A. Yeah, midway through 2010, 2011. Yeah.

8       Q. And increasing housing prices in your  
9 model lead to increased property tax revenues,  
10 correct?

11      A. So increasing home prices is one factor in  
12 our model, and it could lead to our overall  
13 increase in tax revenue. It really depends on what  
14 happens to taxable value.

15      Q. Holding all other factors constant, do  
16 increased home prices have an effect in increasing  
17 property tax revenues in your model?

18      A. Holding everything constant, an increase  
19 in a home price would -- well, it depends on the  
20 taxable value, I guess. It depends on what the  
21 taxable value is when the property sells and it's  
22 reset. And so if the home price is higher than --  
23 and the reset of the taxable value is higher than  
24 what it had been, it would increase tax revenues.  
25 If sort of varies house to house.

1 in home prices.

2       Q. And in fact, you're predicting the tax  
3 revenues are going to be cut in half, aren't you,  
4 over the course of the 10-year period?

5       A. Tax revenue --

6       Q. Or taxable values are going to be cut in  
7 half in the city of Detroit over the 10-year  
8 period?

9       A. So residential property is going to be cut  
10 in half over the 10-year period.

11      Q. So you're predicting that property values  
12 are going to be cut in half even though the  
13 Case-Shiller Home Price Index is showing an  
14 increase in property home prices for the last two  
15 years in Detroit, correct?

16      A. Right. So you can have an increase in  
17 home prices, but your taxable value could still be  
18 higher than what it is when the home sells. So you  
19 could see even with an increase with home prices,  
20 you could see your taxable value fall.

21      Q. And the taxable value is something -- is  
22 that set by the City?

23      A. So taxable value is put together by the  
24 City, and then it goes to -- there are several  
25 review processes before it's finalized.

1           (Document marked No. 12)  
 2     Q. I'm going to hand you what's been marked  
 3     as Exhibit 12. It's another printout from  
 4     Case-Shiller. At first at the top, it describes  
 5     what the Home Price Index, the Case-Shiller Index  
 6     tries to do, which it seeks to measure changes in  
 7     the total value of all existing single-family  
 8     housing stock.

9       Is that your understanding of what it does?

10      A. Uh-huh.

11      Q. And if you look at the index levels below,  
 12     it indicates the one-year change in the index is an  
 13     increase of 15.37 percent for Detroit, correct?

14      A. Yes.

15      Q. And the three-year change for Detroit is a  
 16     12.86 percent increase, correct?

17      A. Uh-huh.

18      Q. And they also provide figures for a  
 19     20-year -- a 20-city composite home index as a  
 20     benchmark. Do you see that?

21      A. Yes, I do.

22      Q. And you're familiar with that benchmark?

23      A. I am.

24      Q. And the benchmark of 20 cities shows  
 25     growth in home prices that is lower than Detroit's

1     Detroit metro area. I don't know.

2     Q. You haven't looked at that?

3     A. So we were charged with looking  
 4     specifically at the city of Detroit, not the entire  
 5     Detroit metro region.

6     Q. Is it possible to forecast what the  
 7     Case-Shiller Home Price Index would look like for  
 8     Detroit over the next 10 years?

9     A. I don't understand the question.

10    Q. Is it possible to forecast what the  
 11    Case-Shiller Home Price Index will be for Detroit  
 12    over the next 10 years?

13    A. So Case-Shiller is using actual data. I  
 14    don't know if they do forecasts.

15    Q. I'm asking could you forecast the  
 16    Case-Shiller Home Price Index over the next  
 17    10 years?

18    A. I have not done that, no.

19    Q. I know, but is it possible for you to do  
 20    that? Is that something that's technically  
 21    possible for you to do?

22    A. So you can forecast what is going to  
 23    happen to average home prices. That's an exercise  
 24    that I've done, that I've engaged with.

25    Q. Okay. And if we were to forecast home

1     for the one and three-year periods, correct?

2     A. Uh-huh. Yeah.

3     Q. Detroit's home prices using the  
 4     Case-Shiller Index have increased more than other  
 5     cities in the benchmark index over the one and  
 6     three-year and five-year periods, correct?

7     A. Correct.

8     Q. And what are some of the reasons that  
 9     Detroit's home prices would have been increasing at  
 10    greater rates than other cities over the last one,  
 11    three or five years?

12    A. I haven't looked at the other cities, but  
 13    when I looked at Detroit specifically, the  
 14    percentage increases have been so large, in part,  
 15    because the base is so low.

16    Q. Right. I mean, Detroit is starting out  
 17    from a low period, so it's not surprising that you  
 18    would see a large increase in home prices, correct?

19    A. That is correct. A \$5,000 increase is  
 20    large in Detroit.

21    Q. And you would anticipate that the  
 22    Case-Shiller Index would continue to increase for  
 23    the Detroit market over the 10-year period that you  
 24    forecast?

25    A. I don't know what it's going to do for the

1     prices over the next 10 years in Detroit, those  
 2     home prices would increase under a reasonable  
 3     forecast, correct?

4     MR. STEWART: Objection.

5     THE WITNESS: I don't know what reasonable is.  
 6     When I've done this, I've had -- I've looked at  
 7     what would likely happen to average home prices,  
 8     and they have been going up in my forecast.

9     BY MR. SMITH:

10    Q. Okay. And those are forecasts over the  
 11    next how many years?

12    A. So looking out 10 years.

13    Q. Okay. So you're forecasting home prices  
 14    to increase over the next 10 years, correct?

15    A. I am.

16    Q. And that would include in Detroit?

17    A. That's just for Detroit. I didn't look at  
 18    the entire area.

19    Q. Okay. And why were you doing that  
 20    forecast? Is that part of your expert analysis?

21    A. So as I mentioned in my report, one of the  
 22    things that I looked at is the uncapping of taxable  
 23    value when homes prices sell, and so part of the  
 24    exercise was thinking about what happens to home  
 25    prices.

1     MR. SMITH: Okay. Why don't we take a break  
 2 now. I know there's been a request from the  
 3 retiree's counsel who had to leave. He's got  
 4 another call, so we'll take a break for lunch.

5     MR. STEWART: 30 minutes?

6     MR. SMITH: Why don't we take a little bit  
 7 longer for lunch.

8     MR. STEWART: 32 minutes?

9     MR. SMITH: No, 45 minutes.

10    MR. STEWART: 35, 40. That's fine.

11    THE VIDEOGRAPHER: Off the record. The time is  
 12 12:02 p.m.

13               (Whereupon, a lunch break was  
 14 taken.)

15    THE VIDEOGRAPHER: We are back on the record.

16    The time is 12:44 p.m.

17 BY MR. SMITH:

18    Q. Ms. Sallee, you're aware the City is  
 19 planning to spend hundreds of millions of dollars  
 20 in blight reduction?

21    A. I'm aware the City is going to spend money  
 22 on blight reduction.

23    Q. I mean, do you know it's in the amount of  
 24 hundreds of millions or not?

25    A. I don't know the exact amount.

1     A. They were targeting certain neighborhoods  
 2 with blight removal. My recollection is that it  
 3 was around schools or commerce areas, and they  
 4 thought that it would sort of improve safety and  
 5 existing property values is my recollection of  
 6 conversations about it.

7               (Document marked No. 13)

8     Q. I'm going to hand you a copy of what's  
 9 been marked as Exhibit 13, which is some City of  
 10 Detroit Assessing Division Operational Recommendations  
 11 by Plante Moran. Have you seen that document before?

12    A. I have not.

13    Q. If you turn over to Page 6, there's a  
 14 chart that has a history of the Detroit assessment  
 15 roll. Do you see that?

16    A. Okay.

17    Q. It indicates that the assessed value of  
 18 property in Detroit went from 14 billion in 2008 to  
 19 9 billion in 2013, correct?

20    A. That's what it says here.

21    Q. So there was a \$5 billion reduction in the  
 22 last five years in assessed value, correct?

23    A. That's what it says here.

24    Q. It's about a third of property values gone  
 25 away, correct?

1     Q. You don't know any of the details of how  
 2 the City is going to spend the blight reduction  
 3 money?

4     A. I don't know any of the details.

5     Q. Do you agree that many large cities suffer  
 6 from blight?

7     A. I haven't looked at any other cities on  
 8 blight.

9     Q. What about Flint, Michigan, is there  
 10 blight in Flint, Michigan?

11    A. Yes, there is.

12    Q. And is Flint, Michigan planning any blight  
 13 reduction efforts?

14    A. Yes.

15    Q. And do you know how much they're planning  
 16 to spend on blight reduction?

17    A. I don't know off the top of my head.

18    Q. Do you know why Flint, Michigan's planning  
 19 to spend money on blight reduction?

20    A. I had some conversations with city  
 21 officials, and they wanted to remove properties,  
 22 and they basically said they thought it would help  
 23 the city.

24    Q. How did Flint, Michigan officials think  
 25 that blight reduction would help the city?

1     A. It looks like a reduction of 5 billion in  
 2 the assessed value, which is about a third.

3     Q. And you're forecasting additional

4 reductions in the assessed value, correct?

5     A. So I am forecasting additional reductions

6 in taxable value.

7     Q. Okay. And what will be the total taxable  
 8 value at the end of 10 years under your forecast?

9     A. I would have to look at my report for the

10 exact number.

11               (Document marked No. 14)

12    Q. I'll mark your report as Exhibit 14 so you

13 have it in front of you.

14    Do you know now looking at your report what

15 taxable value you're forecasting in the next 10 years?

16    A. I was realizing that the actual forecasts

17 aren't in here, so I would need to see the

18 disclosure statement.

19    Q. Okay. The -- did you do anything to look

20 at historical taxable values in doing your

21 forecast?

22    A. I did look at historical values.

23    Q. And you know there's been a significant

24 decrease in historical assessed value already in

25 the city of Detroit, correct?

1       A. How would you define significant?  
 2       Q. Well, along the lines of that \$5 billion  
 3 that we just looked at, correct?  
 4       A. There has been a reduction in assessed and  
 5 taxable value in Detroit.  
 6       Q. Okay. And is that \$5 billion figure from  
 7 2008 to 2013 reduction in assessed value roughly  
 8 consistent with your understanding of the reduction  
 9 in assessed value?  
 10      A. Yes.  
 11      Q. The -- and your forecasting reduction  
 12 assessed value, that goes beyond what's occurred in  
 13 the last five years, correct?  
 14      A. So I'm not forecasting assessed values.  
 15 I'm forecasting taxable value.  
 16      Q. What's the difference in your view?  
 17      A. So taxable value is the lower of capped  
 18 value or state equalized value. And given that the  
 19 county's equalization factor is 1, assessed value  
 20 and state equalized value are the same thing.  
 21      Q. Okay. So the taxable value is the same as  
 22 the assessed value in Detroit?  
 23      A. No.  
 24      Q. No? Okay. Can you explain why that is?  
 25      A. I'm saying assessed value and state

1 potentially higher or lower than capped value. And  
 2 if assessments are lowered, what would then happen  
 3 to state equalized value in relation to capped  
 4 value and what impact would that have on taxable  
 5 value. And so ultimately what I was concerned with  
 6 was taxable value.  
 7       Q. And do you -- can you identify any city  
 8 that's engaged in a greater blight reduction effort  
 9 than is planned for the city of Detroit?  
 10      A. I have not looked at any other cities'  
 11 plans.  
 12      Q. So you can't identify such a city?  
 13      A. I haven't looked into the issue.  
 14      Q. So you haven't examined the effects of  
 15 blight reduction in other cities at all?  
 16      A. I have not looked at blight reduction in  
 17 other cities.  
 18      Q. Do you agree that property taxes revenue  
 19 is one of the largest sources of revenue for the  
 20 City of Detroit?  
 21      A. So property tax revenue makes up about  
 22 17 percent of the tax and state revenue sharing.  
 23      Q. The -- you mentioned that you had read  
 24 Ms. Kopacz's report, correct?  
 25      A. That's correct. I read maybe half of it.

1 equalized value are the same thing. Taxable value  
 2 is the lower of capped value or state equalized  
 3 value.  
 4       Q. Okay. And what is the capped value?  
 5       A. So capped value is that in the first year,  
 6 let's say, you purchase a house, and in the first  
 7 year, your state equalized value is roughly  
 8 50 percent of your market value and your taxable  
 9 value equals your state equalized value in that  
 10 first year. And then going forward, your capped  
 11 value is the rate of inflation or 5 percent,  
 12 whichever is less.  
 13      Q. And how do you figure out which to use in  
 14 your forecast, capped value or state equalized  
 15 value?  
 16      A. So I don't use either of those. I use  
 17 taxable value.  
 18      Q. Which is what?  
 19      A. The lower of the two.  
 20      Q. Okay. So how do you figure out what that  
 21 is in your forecast?  
 22      A. Sure. So in this case, I looked at capped  
 23 value and state equalized value and its  
 24 relationship to taxable value, and I did some  
 25 analysis to see if state equalized value was

1       Q. Do you have any understanding as to what  
 2 qualifications or background Ms. Kopacz has in  
 3 forecasting?  
 4      A. I don't know particularly her expertise in  
 5 forecasting.  
 6      Q. We discussed that she did a sensitivity  
 7 analysis for property tax revenues. Do you recall  
 8 that?  
 9      A. Yes.  
 10     Q. You don't have any criticism of  
 11 Ms. Kopacz's sensitivity analysis for property tax  
 12 revenues, correct?  
 13     A. I didn't try to mimic what she did. When  
 14 I looked at it, her analysis seemed in line with  
 15 what I would expect, so it seemed okay.  
 16     Q. She also does a sensitivity analysis for  
 17 state revenue sharing. Do you recall that?  
 18     A. Yes.  
 19     Q. Do you have any criticism of Ms. Kopacz's  
 20 sensitivity analysis for state revenue sharing?  
 21     A. I can't remember exactly what she varied  
 22 there, so I can't remember the specifics of her  
 23 report.  
 24     Q. Okay. Do you have any opinions about  
 25 Ms. Kopacz's report?

1       A. Yes.  
 2       Q. What are they?  
 3       A. My opinion was that the first half of it I  
 4       read, I agreed with her conclusions.  
 5       Q. Okay. What page do you think you're about  
 6       up to there?  
 7       A. Well, I got through my sections, so maybe  
 8       I read -- actually, I maybe read only 75 pages of  
 9       it. It's a 200-page document.  
 10      Q. And do you agree that Ms. Kopacz's  
 11     analyses showed that by varying certain of the  
 12     inputs by a small amount, you can change the  
 13     outcome in terms of revenue in your analysis by  
 14     tens of millions of dollars, correct?  
 15      A. I don't know how detailed she looked at  
 16     changing inputs. She was showing sort of 1 percent  
 17     changes and how much revenue that produces. That  
 18     seemed to be the extent of the sensitivity  
 19     analysis.  
 20      Q. There are other inputs you could change to  
 21     produce other additions to revenue in your model  
 22     that Ms. Kopacz did not look at, correct?  
 23      A. So I don't know exactly what she did, but  
 24     you can change assumptions, and it would change the  
 25     results.

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1       REMI to model economic impacts of capital  
 2       expenditures and operations. Do you recall that?  
 3       A. I have done that, yes.  
 4       Q. And is IMPLAN a generally accepted measure  
 5       for measuring economic impacts?  
 6       A. Yes.  
 7       Q. And you could use IMPLAN to measure the  
 8       economic impacts in terms of increased economic  
 9       activity and revenue from the reinvestments that  
 10      the City is planning, correct?  
 11      A. Can you restate your question?  
 12      Q. You could use an IMPLAN analysis to  
 13     determine the economic impact and increased revenue  
 14     from the reinvestments that the City is planning in  
 15     the plan, correct?  
 16      A. I wouldn't use IMPLAN for that.  
 17      Q. Is that something that IMPLAN can be used  
 18     for, though?  
 19      A. So in this case, you could -- you could  
 20     look at an investment, and you could say what is  
 21     the result of that investment and then model the  
 22     economic impact of that with IMPLAN, but you would  
 23     have to take into account, you know, substitution.  
 24     There would be a lot of factors that would go into  
 25     it.

1       Q. And there are assumptions that Ms. Kopacz  
 2       did not report on in her report that you could  
 3       change to increase the revenues in your model,  
 4       correct?  
 5       A. There are assumptions that could be  
 6       changed that could increase -- that could increase  
 7       revenues.  
 8       Q. And you didn't do any sensitivity analyses  
 9       for any of your forecasting, correct?  
 10      A. What do you mean by sensitivity analyses?  
 11      Q. The type of analysis Ms. Kopacz does in  
 12     her report which she calls an sensitivity analysis.  
 13      A. So when I look at it, it looks like she  
 14     asked the question what happens if you increase  
 15     revenues by 1 percent, and what does that mean over  
 16     a 10-year period. I did analysis along with Bob  
 17     Cline, other members of our team to say what  
 18     happens if we change inputs, they increase or lower  
 19     revenues in a given year and what's the impact of  
 20     that in a 10-year period. As I've mentioned, we've  
 21     done, you know, different iterations, and so I feel  
 22     like we have done that sensitivity analysis in the  
 23     sense that we've changed inputs, saw what happened  
 24     to the revenue.  
 25      Q. And your CV says you've used IMPLAN and

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1       Q. Okay. So the reinvestment expenditures  
 2       could be analyzed using IMPLAN to determine their  
 3       economic impact, but you would have to take into  
 4       account a number of factors; is that correct?  
 5       A. So IMPLAN would be sort of an awkward way  
 6       to evaluate it. You can do economic modeling where  
 7       you would look at a detailed, say, investment and  
 8       then think through the impact on the economy.  
 9       That's standard economic analysis.  
 10      Q. Okay. And as far as you're aware, has  
 11     anybody done any standard economic analysis to  
 12     measure the positive economic impact of the  
 13     reinvestment proposals?  
 14      A. I'm not aware of any.  
 15      Q. Do you know why that hasn't been done?  
 16      A. Well, I don't know if it has been done.  
 17     It could have been done by someone else. We  
 18     weren't charged with looking at the reinvestment  
 19     activities.  
 20      Q. Okay. But you would agree there's a  
 21     variety of standard methodologies that could be  
 22     used to measure the economic impact of the  
 23     reinvestment activities, and IMPLAN would just be  
 24     one of them; is that correct?  
 25      A. So there's -- there's a methodology, a way

1 that you would go about looking at this, and there  
 2 are different software tools that can aid you, and  
 3 there are generally only a few accepted ways to do  
 4 it.

5 Q. And what are those few accepted ones?

6 A. So when you're doing economic impact  
 7 analysis, typically you're going to use one of  
 8 three things. You're going to use an IMPLAN model.  
 9 You're going to use a government model, RIMS II, or  
 10 you're going to use REMI.

11 Q. And have you used such standard economic  
 12 models in assessing the economic impact of  
 13 government projects before?

14 A. Yes.

15 Q. What kinds of government projects have you  
 16 done that for?

17 A. So prior to joining EY, I looked at the  
 18 economic impact of building a new research facility  
 19 or sort of a specific government planned -- it  
 20 would be a collaboration, I guess, between  
 21 entities, so looking at project base, say, a new  
 22 facility or something and using one of those to  
 23 evaluate the economic impacts.

24 Q. And is that -- do governments often try to  
 25 model the economic impact or see how much economic

1 there are no other expenditures and thought about  
 2 how it would improve the economy and then factored  
 3 that into our reinvestment scenario.

4 It wouldn't necessarily make sense to use  
 5 IMPLAN in that sense. I should clarify we use  
 6 IMPLAN for economic analysis. The tax analysis  
 7 we're usually doing we're usually not using IMPLAN  
 8 for.

9 Q. Okay. But there are other methodologies  
 10 that you've used that you didn't use in this case  
 11 to model tax revenues?

12 A. So in the past, if you're looking at a  
 13 project and you forecast the labor income that's  
 14 associated with the project, we often use a ratio  
 15 of taxes to personal income because we have measure  
 16 now of personal income or labor income. And so we  
 17 can apply that ratio to our estimated labor income,  
 18 and that doesn't apply here to this situation.

19 Q. Okay. But measuring -- somebody could  
 20 have used one of the standard economic modeling  
 21 methodologies to determine the economic impact of  
 22 the reinvestment scenarios or the tax revenues from  
 23 the reinvestment scenarios, correct?

24 A. Yes, you could do something.

25 Q. Okay. I'm going to turn to your expert

1 improvement there will be from government projects?  
 2 A. I've done these projects for governments  
 3 or for groups going before government, so there  
 4 seems to be interest in it.

5 Q. And is modeling the economic improvement  
 6 of a government expenditure something that you  
 7 believe is like a useful project for planning  
 8 purposes for governments?

9 A. In certain situations, yeah, I do think  
 10 it's useful.

11 Q. And do these economic modeling that you've  
 12 done, does that include looking at increases in tax  
 13 revenues, or is it just increases in economic  
 14 activity that would be caused by a project?

15 A. So typically I would look at the measures  
 16 of economic impact and then tax revenue.

17 Q. And is the reason that you didn't use  
 18 IMPLAN or some other accepted economic modeling in  
 19 this case to look at the effect on tax revenues  
 20 just because you weren't asked to do that?

21 A. So in this case, we were asked to forecast  
 22 tax revenue, which is a little different exercise  
 23 than for some of these projects where you're doing,  
 24 say, the economic and tax contribution of specific  
 25 facilities. So we looked at blight and thought

1 report now. Do you have that in front of you?  
 2 A. I do.

3 Q. On Page 6 of your report, you relied on  
 4 some data from the Detroit Board of Realtors  
 5 residential sales statistics for 1995, at the top  
 6 of the page, 1998, 2001 to 2013. Do you see that?

7 A. I do.

8 Q. Why is it that you only used certain  
 9 years?

10 A. So there's a gap in between '95 and '98  
 11 and '98 and 2001, so that data was not publicly  
 12 available on the website, and then -- so I took as  
 13 much information as was available, and then I did  
 14 it through 2013. I looked beyond that, but the  
 15 analysis goes to 2013, so I could compare it to  
 16 other sources of data.

17 Q. Okay. So your analysis, you used data  
 18 stopping at the end of 2013 from the Detroit Board  
 19 of Realtors, correct?

20 A. Correct.

21 Q. But you know -- you've seen what the data  
 22 is for subsequent periods in 2014, correct?

23 A. Right.

24 Q. And that data from the Detroit Board of  
 25 Realtors is the data showing that housing prices

1 continued to increase in the city of Detroit; is  
 2 that correct?  
 3 A. There were increases, yes.  
 4 Q. The information you talk about about  
 5 Renaissance Zones, it's kind of down toward the  
 6 bottom of the page, and you mention you had the one  
 7 year's data from 2013. Do you see that?  
 8 A. Yes.  
 9 Q. And we already talked about how that was  
 10 provided to you by the assessor's office, right?  
 11 A. It was.  
 12 Q. And the reason you need the Renaissance  
 13 Zone data is because there's different tax --  
 14 different taxes apply to Renaissance Zone than  
 15 elsewhere in the city; is that correct?  
 16 A. So Renaissance Zones are exempt from  
 17 certain taxes.  
 18 Q. And that includes the property tax?  
 19 A. Portions of the property tax. So if  
 20 you're in a Renaissance Zone, you're still paying  
 21 the debt millages, but you're not paying general  
 22 operating. You're not paying library.  
 23 Q. Page 7 of your report, it says in  
 24 Paragraph C use separate growth rates for real and  
 25 personal property by property class. Do you see

1 following standard forecasting procedures. So as I  
 2 outlined earlier, I followed the Michigan State  
 3 Revenue Conference forecasting procedures, which is  
 4 also what U.S. federal agencies use. So you follow  
 5 current law, and you don't assume a tax rate has  
 6 changed.  
 7 Q. Current law does not exempt personal  
 8 property in the manner that the proposed  
 9 legislation does, correct?  
 10 A. So right now in current law, it is  
 11 planning for -- the bills have been passed that  
 12 would repeal personal property. It has to be  
 13 confirmed by voters. And so in that case, the  
 14 third part of forecasting is to think about what  
 15 known changes there are, and in this case, we  
 16 accounted for a known change.  
 17 Q. Okay. Well, you don't know what the  
 18 outcome of the vote will be, correct?  
 19 A. I do not know.  
 20 Q. And so under current law, personal  
 21 property is not exempted, correct? That's not the  
 22 law in the state of Michigan right now, correct?  
 23 MR. ALBERTS: Objection.  
 24 THE WITNESS: So currently personal property is  
 25 slated to be repealed assuming voters approve it in

1 that?  
 2 A. Uh-huh.  
 3 Q. Do you know what growth rates you used?  
 4 A. So it varied by type of property within  
 5 real and personal.  
 6 Q. Did you pick the growth rates for real and  
 7 personal property based on your judgment?  
 8 A. So ultimately I selected those growth  
 9 rates based on my judgment.  
 10 Q. And do those growth rates also vary over  
 11 year for each class of property?  
 12 A. They change year to year, yes.  
 13 Q. And you used your judgment to decide how  
 14 the growth rates for each class of property should  
 15 change year to year; is that correct?  
 16 A. I used my judgment to see how they would  
 17 change year to year, yes.  
 18 Q. Page 8, subsection ii(b), you say that --  
 19 one of your assumptions was the tax law will remain  
 20 unchanged during the forecast time periods. Do you  
 21 see that?  
 22 A. Yes.  
 23 Q. And who gave you that assumption?  
 24 A. So in this case, it's referring to the  
 25 selected tax rate, and we kept it constant

1 August.  
 2 BY MR. SMITH:  
 3 Q. Does current law as it exists at the date  
 4 of this deposition exempt personal property?  
 5 A. So the laws have been passed that exempt  
 6 it. It just hasn't been -- it's subject to  
 7 approval by voters, so I kind of feel like this is  
 8 gray, and I don't quite know how to answer that  
 9 question.  
 10 Q. Okay. Right now personal property is not  
 11 exempted. You can't say oh, I'm not going to pay  
 12 my personal property tax, right?  
 13 A. So personal property right now is -- has  
 14 been taxed in Michigan.  
 15 Q. Okay. And that's the current law right  
 16 now?  
 17 A. Current law, the vote has not happened.  
 18 It's still taxed. Okay. I will say that.  
 19 Q. But in your forecast, you've modeled the  
 20 possibility that that current law treatment of  
 21 personal property tax may change over time,  
 22 correct? You've used a 50 percent factor to model  
 23 that possibility, correct?  
 24 A. Right. So we -- so I've included a  
 25 50 percent chance that the vote passes in my

1 analysis.

2 Q. And so you've included in your analysis a  
3 50 percent chance that personal property exemptions  
4 may pass in which case personal property taxes  
5 would be decreased, correct?

6 A. So what I specifically modeled is a  
7 50 percent chance that personal property taxes will  
8 be reduced for commercial industrial taxpayers, and  
9 so I factored in a 20 percent -- what -- we're  
10 forecasting a 20 percent reduction in personal  
11 property and a 50 percent chance of that happening,  
12 so we've modeled a 10 percent reduction.

13 Q. So you factored in a chance that there  
14 will be a change in current law leading to a  
15 reduction in personal property taxes, correct?

16 A. Yes.

17 Q. And the -- have you done any investigation  
18 into whether there's any debate about changing tax  
19 rates in the state of Michigan?

20 A. For what?

21 Q. Have you done any investigation into  
22 whether there are any proposals to change tax rates  
23 in the state of Michigan?

24 A. In the state overall or --

25 Q. That would impact City of Detroit.

1 A. So I have done forecasting when a specific  
2 policy change has been given and we've asked to  
3 say -- to look at the revenue impacts.

4 Q. What kind of policy change have you  
5 forecasted to determine the potential impacts on  
6 taxes?

7 A. So in my old job, I participated in a  
8 two-year project looking at tax policy changes at  
9 the State of Michigan level. Some of the tax  
10 changes would have reduced revenues for certain  
11 taxes, and some would have increased tax revenue  
12 for certain taxes.

13 Q. So when you were working with the State of  
14 Michigan, you forecasted the effects of potential  
15 changes in tax policy on tax revenues?

16 A. So I wasn't working for the State of  
17 Michigan. Maybe you said with, but I was working  
18 for another organization doing State of Michigan  
19 taxes, and -- I've forgotten your question.

20 Q. What was the other organization that you  
21 worked on Michigan taxes with?

22 A. I worked for a group called Business  
23 Leaders for Michigan.

24 Q. Okay. When you were doing forecasting to  
25 look at changes various policies that could be

1 A. I have not looked into any tax rate  
2 changes in the city.

3 Q. Have you looked into any tax changes other  
4 than the personal property tax change that could  
5 impact Detroit's revenues and whether there are  
6 proposals for those?

7 A. I don't think I understand the question.

8 Q. Have you looked into any -- into whether  
9 there are any proposals for tax rate changes that  
10 might impact Detroit's tax revenues?

11 A. I am not aware of any proposals that would  
12 change tax rates in Detroit.

13 Q. Have you investigated the matter, though?

14 A. No. I have not looked into it.

15 Q. So you're saying that the assumption that  
16 you used for keeping tax rates constant came from  
17 the Michigan Manual; is that correct?

18 A. So they've published a paper about their  
19 procedures for doing their consensus revenue  
20 forecasting, and so that was consulted as well as  
21 what do other agencies do, and those procedures  
22 were followed.

23 Q. Have you done forecasting for taxes before  
24 where you did not assume current tax law applied,  
25 that there might be changes?

1 adopted would have on Michigan tax revenues, you  
2 did an analysis on that, correct?

3 A. So I did an analysis of specific tax  
4 changes for the state that would affect the state.

5 Q. Okay. And did you calculate -- forecast  
6 what the changes in revenues would be if tax policy  
7 changed in the state of Michigan when you did this  
8 other project?

9 A. When I did this other project, yes.

10 Q. And were you coordinating with the state,  
11 or how would you describe your relationship with  
12 the state in conjunction with that project?

13 A. So I would have -- I would go to meetings  
14 with state representatives to talk about the tax  
15 change and to collect data.

16 Q. And what kind of tax changes were you  
17 discussing with Michigan officials?

18 A. Generally looking at changes to the  
19 business tax and changes to the sales tax.

20 Q. Okay. Were they looking at increasing or  
21 decreasing the business tax and the sales tax?

22 A. They were looking at decreasing the  
23 business taxes and potentially raising the sales  
24 tax.

25 Q. And raising the sales tax would increase

1 the amount of money that the state collected that  
 2 could be used for revenue sharing, correct?  
 3     A. The specifics of the different policies  
 4 and models, I can't remember how revenue sharing  
 5 was treated in that.

6     Q. Do you know where the city -- where the  
 7 state gets the money that it uses for revenue  
 8 sharing?

9     A. I do.

10    Q. Okay. Where do they get that money?

11    A. So -- so the constitutional piece is  
 12 funded through sales and use tax revenue, a part of  
 13 it.

14    Q. So increasing the sales tax would increase  
 15 revenue sharing under the constitution of Michigan  
 16 to the cities, correct?

17    A. All things equal, if you -- so -- so right  
 18 now how the constitutional piece is structured, you  
 19 have the first 4 percent, and then you have an  
 20 add-on 2 percent. So the revenue sharing is -- the  
 21 constitutional piece is 15 percent of that  
 22 4 percent, and those things are written that keep  
 23 that 4 percent constant, and you play with that  
 24 additional 2 percent.

25    So proposals that I often look at was sort

1 and use tax go into the General Fund.

2     Q. Okay. So the more money that the state  
 3 collects in sales tax, the more money that is  
 4 available to fund revenue sharing payments,  
 5 correct?

6     A. So the more sales tax revenue the state  
 7 collects, the more money it would have available in  
 8 its General Fund, and it could choose to increase  
 9 payments to municipalities, or it could not.

10    Q. And so increasing the sales tax rate could  
 11 have the effect of -- it would have the effect of  
 12 making more money available for revenue sharing  
 13 payments. It's just whether the legislature  
 14 decides to use it or not, correct?

15    A. More money would be available.  
 16 Legislature could or could not decide to use it.

17    Q. When were you doing that analysis about  
 18 potentially raising the sales tax rate?

19    A. So that analysis I did back seven, eight  
 20 years ago. What year is it? 2014. So I did that  
 21 work, I'm remembering, but probably around 2007.

22    Q. Okay. And did the state raise the sales  
 23 tax?

24    A. They didn't.

25    Q. Do you know why they didn't?

1 of keeping the revenue sharing intact. If you're  
 2 able to increase that revenue, if you expand the  
 3 sales tax base or you have more transactions or  
 4 things, then you can see that sales tax revenue  
 5 could go up, but you could play with the rate, and  
 6 it may not actually affect sales tax revenue.

7     Q. Is it possible that increasing the rate of  
 8 the sales tax will increase state revenue sharing  
 9 payments to the cities?

10    A. Typically if you were to change the rate,  
 11 you wouldn't be affecting, per se, the revenue  
 12 sharing if you're not changing that 4 percent.

13    Q. What about the percent above 4 percent?

14    A. Well, that part of it isn't part of the  
 15 sales tax formula.

16    Q. But generally you know that the state uses  
 17 the sales tax as a source for its revenue sharing  
 18 payments to the cities, correct?

19    A. The constitutional piece comes from the  
 20 sales tax.

21    Q. Do you know if any of the statutory piece  
 22 comes from the sales tax?

23    A. So right now the Economic Vitality  
 24 Incentive Program is being -- the funds for it are  
 25 coming from the General Fund, and part of the sales

1     A. So Michigan ended up making some changes.  
 2 They eliminated the SBT. They put in a new  
 3 business tax and decided not to make any changes to  
 4 the sales tax.

5     Q. And is the state of Michigan, compared to  
 6 other states, a relatively low-tax state?

7     A. It depends on what time frame you look at.  
 8     Q. Currently.

9     A. Currently Michigan's in the middle in  
 10 terms of tax burden.

11    Q. Do you know if there's any other planning  
 12 regarding sales taxes, sales tax changes?

13    A. I'm not aware of any planned sales tax  
 14 changes.

15    Q. Have you investigated whether there are  
 16 any planned sales tax changes?

17    A. Nothing has come up in my conversations  
 18 with anyone, so I'm not aware.

19    Q. Have you ever heard of the Revised  
 20 Judicature Act of 1961?

21    A. I don't think so.

22    Q. Are you aware that under current law, if  
 23 the City has a judgment against it, that it can  
 24 charge -- it can raise property tax rates above  
 25 statutory rates to collect money to satisfy the

1 judgment?

2 A. I'm not aware of that law.

3 Q. Did anybody ever tell you or inform you  
4 that the City has in the past raised property tax  
5 rates above statutory maximums to pay judgments  
6 against it?

7 A. No one told me that. When I looked at a  
8 history of property tax millages for general  
9 operating, I noticed that the rates in the past  
10 were above 20 mills.

11 Q. Okay. And so you noticed that the rates  
12 were above statutory maximums in the past. Then  
13 did you make any inquiry about why that was?

14 A. No, because going forward, what was  
15 relevant was the current tax rate.

16 Q. Okay. But the City -- Syncora could get a  
17 judgment against the City, and the property tax  
18 rate could be raised above statutory maximums,  
19 correct?

20 MR. STEWART: Objection.

21 THE WITNESS: I don't know the likelihood of  
22 that.

23 BY MR. SMITH:

24 Q. Well, other -- you know other creditors of  
25 the City in the past have been successful in

1 Q. Okay. You did do an adjustment for  
2 changes in collection rates over time, correct?

3 A. Correct.

4 Q. Do you know if there's an adjustment for  
5 changes in collection rates for the income tax  
6 under Mr. Cline's analysis?

7 A. I don't know.

8 Q. You haven't done anything to ensure that  
9 your methodology in terms of the treatment of  
10 collection rates is consistent with Mr. Cline's  
11 methodology, correct?

12 A. Can you say that again?

13 Q. You haven't done anything to investigate  
14 or ensure that the methodology you used with  
15 respect to collection rate on the property tax is  
16 consistent with Mr. Cline's approach on the income  
17 or other taxes, correct?

18 A. We took pains to make sure that the inputs  
19 we were using were consistent, and the way we were  
20 going about -- he had a different methodology  
21 because it's a different type of tax with a  
22 different tax base. He had a different methodology  
23 than I did, and I don't -- given how -- I don't  
24 know -- you know, there's a different collection  
25 process. I don't know how he factored in

1 getting judgments and having the tax rate raised  
2 above statutory maximums to pay it, correct?

3 A. I don't know any details.

4 Q. Well, you know that the tax rates have  
5 been assessed above statutory maximums in the past,  
6 correct?

7 A. The only thing that I noticed was in the  
8 past, the general operating mill was above 20, and  
9 I was not sure when the 20-mills limit became  
10 relevant for Detroit.

11 Q. Nobody -- I guess since nobody has told  
12 you about this possibility of property tax rates  
13 being above statutory maximums, so that's correct,  
14 right?

15 A. Nobody has told me about that.

16 Q. Okay. So nobody has asked you to consider  
17 what taxes -- property taxes could be collected at  
18 rates above statutory maximums under the Revised  
19 Judicature Act, correct?

20 A. Correct. Nobody asked me to look into  
21 that.

22 Q. And you don't have any idea why they  
23 didn't ask you, correct?

24 A. I have no idea why people did not ask me  
25 to do something.

1 collection exactly into his model.

2 Q. You don't know whether Mr. Cline factored  
3 any changes in collection rate in his model one way  
4 or the other, correct?

5 A. I don't know how his model incorporates  
6 collection. I would have to see it.

7 Q. You agree that it's important to factor in  
8 the collection rate in forecasting income tax,  
9 correct?

10 A. So there are -- collections of income is  
11 important, and he -- you know, collections for  
12 income taxes are different than property taxes, so  
13 it's not -- it's not unusual that he would deal  
14 with it differently than I would. He's -- for  
15 example, you have tax withheld from paychecks, so  
16 that's a very different model than someone paying  
17 their property taxes.

18 Q. But you agree that it's important to  
19 factor in some way changes in collection rate  
20 over time in forecasting the income, corporate,  
21 wagering or utility user tax, correct?

22 A. I think you said, though, that it's  
23 important to factor in changes. I think it's  
24 important to think about the revenue that you're  
25 going to be receiving, you're actually receiving,

1 and for each of the different taxes, we did that.  
 2 In property, we thought about what's the  
 3 collection rate. In income taxes, we thought about  
 4 the tax base, different tax bases, taxes withheld  
 5 versus taxes paid, so collection would show up in  
 6 that analysis. For the other taxes, we thought  
 7 about well, what is being actually paid by, say,  
 8 the casinos or utility users. So collections is  
 9 present, but I think they're different in each of  
 10 the tax bases.

11 Q. But in the income tax analysis, you know  
 12 there's no change or analysis of what the  
 13 collection rate might be over the next 10 years,  
 14 correct?

15 A. I don't know exactly what Mr. Cline did  
 16 there.

17 Q. Okay. But you agree it's important to  
 18 take into account the collection rate in any  
 19 forecast of taxes and tax revenue that you do,  
 20 correct?

21 A. I don't know if I would say it's important  
 22 to think about a collection rate. I think it's  
 23 important to think about what money the entity is  
 24 going to receive, which is what we've tried to do  
 25 in our forecast. We tried to think about actual

1 Q. Because the higher your collection rate,  
 2 the higher your tax revenue, and the lower your  
 3 collection rate, the lower the revenue, correct?

4 A. In some cases, yes. In other cases, you  
 5 can have a higher collection rate and a lower tax  
 6 levy, and you could have -- you would have a lower  
 7 tax revenue.

8 Q. All other things being equal, the higher  
 9 the collection rate, the more tax revenue you take  
 10 in, correct?

11 A. Up to a certain point.

12 Q. And that's why it's important to consider  
 13 the collection rate in a tax forecast, right?

14 MR. STEWART: You've asked this question, I  
 15 think I've counted, 15 times now, so she's going to  
 16 answer. This is going to be the last time because  
 17 I am going to instruct her after this.

18 MR. SMITH: You have a pattern of obstructing  
 19 every deposition you've been in. By the way, I'm  
 20 going to ask her about deposition transcripts  
 21 later, so I ask that you produce this order of the  
 22 court because I'm informed there is no such order.

23 MR. STEWART: No. Ask Mr. Hackney.

24 MR. SMITH: No. I'm asking you. I'm going to  
 25 ask about it. Where's the order?

1 money in the door in a given fiscal year.

2 Q. And would you agree that collection rate  
 3 is one of the key drivers of tax revenue?

4 A. In the property taxes forecasts that I  
 5 did, collection rate is an important driver.

6 Q. Yeah. For any tax revenue analysis,  
 7 collection rate is a key driver of tax revenue,  
 8 correct?

9 A. Income taxes, like I said, I think each of  
 10 them collections is different, and so the  
 11 collection process is different, and so it's more  
 12 important and less important in other areas.

13 Q. Have you ever done a tax forecast where  
 14 you failed to incorporate a collection rate?

15 A. In the forecast that I prepared related to  
 16 property taxes, I've included a collection rate.

17 Q. I'm asking about any tax forecast. Have  
 18 you ever done a tax forecast where you didn't take  
 19 into account potential changes in collection rates?

20 A. I mean, I think -- I've always  
 21 incorporated collections, and we all think -- you  
 22 know, both in this project and other work what do  
 23 we actually think money is going to be in the door,  
 24 so collections are always a process of what we're  
 25 thinking about.

1 MR. STEWART: It was a ruling that he made.  
 2 Your partner, Mr. Hackney was there.

3 MR. SMITH: And there was no such ruling, so --  
 4 MR. STEWART: Yes, there was.

5 MR. SMITH: -- you're obstructing the  
 6 deposition.

7 MR. STEWART: I was in court when it happened.

8 MR. SMITH: Okay. Then I'm asking that you  
 9 produce it. Produce it before the deposition is  
 10 over. We've got like three or four hours left.

11 MR. STEWART: No.

12 MR. SMITH: We're at your offices. I just want  
 13 the order.

14 MR. STEWART: I told you it's not an order.  
 15 It's a ruling that he made.

16 MR. SMITH: Or the transcript, whatever it is.  
 17 I want you to show me where the court issued this  
 18 ruling.

19 MR. STEWART: Why don't you ask Mr. Hackney  
 20 because he was the one that got in the colloquy  
 21 with the judge, and he is the one where the judge  
 22 said it. I think it was during the swaps trial,  
 23 but we've had thousands and thousands of pages of  
 24 transcript. So I'm not going to interrupt the  
 25 deposition to go find it. I think, though --

1 MR. SMITH: You can do it at a break.  
 2 MR. STEWART: -- since your firm was the one  
 3 that got the adverse ruling, I would think they'd  
 4 have no trouble, and find Mr. Hackney. He  
 5 remembers it well because he professed to be  
 6 surprised by the judge's ruling, and the judge told  
 7 him actually it's standard, and it is standard.  
 8 And that's just -- everybody knows it. Surprised  
 9 he didn't because he's an excellent lawyer, but  
 10 that was the ruling.

11 So now the question, though, is I think --  
 12 I don't think I'm going unfair when I say that  
 13 after you've asked this witness the same question  
 14 15 times and she's answered it 15 times, you have  
 15 to move on. You're just arguing with her. You're  
 16 wasting everybody's time, and it's an abuse of the  
 17 witness. So let's reread the question. Reread the  
 18 question. She's going to answer it, and then we're  
 19 going to move on.

20 (Whereupon, the record was  
 21 read as requested.)

22 THE WITNESS: Collections are important to  
 23 consider in doing any tax forecast.

24 BY MR. SMITH:

25 Q. And Ms. Sallee, is it your understanding

1 What the ruling was is you cannot ask a witness to  
 2 comment on the testimony of another witness.  
 3 That's what the ruling was.

4 MR. SMITH: Okay. That's what you've been  
 5 telling everybody in this case, right?

6 MR. STEWART: Well, that's what the judge  
 7 ruled. I should add, by the way, I didn't instruct  
 8 her not to answer your questions. I just told you  
 9 I have a standing objection to them, and I cannot  
 10 stop you if you want to ask her what Mr. Evanko  
 11 said. I just told you it's improper, and the judge  
 12 has said not to do it.

13 MR. SMITH: You obstructed the deposition  
 14 already.

15 MR. STEWART: No. If you want to ask her, ask  
 16 all day about it.

17 MR. SMITH: I'm told the tape is running out.  
 18 Let's take a break.

19 THE VIDEOGRAPHER: Off the record. The time is  
 20 1:32 p.m.

21 (Whereupon, a short break was  
 22 taken.)

23 THE VIDEOGRAPHER: We're back on the record.  
 24 The time is 1:39 p.m.

25

1 that you're not allowed to look at any of the  
 2 testimony given in deposition by other witnesses in  
 3 this case, including Mr. Evanko?

4 MR. STEWART: You just misstated it.

5 MR. SMITH: I'm asking the question.

6 MR. STEWART: Ask her. Then I'm going to  
 7 correct you because you just misstated what I told  
 8 you.

9 MR. SMITH: You're coaching the witness.

10 MR. STEWART: Answer the question.

11 THE WITNESS: You said testimony. I'm trying  
 12 to -- I don't know -- I don't know legal things, so  
 13 I don't know.

14 MR. STEWART: Just because I think you  
 15 misunderstood it, Mr. Smith, but the judge's ruling  
 16 was --

17 MR. SMITH: Listen, your speaking objections  
 18 are really obstructive.

19 MR. STEWART: Well, there's no pending  
 20 question.

21 MR. SMITH: Then don't give a speech on the  
 22 record.

23 MR. STEWART: Because you just misstated  
 24 things, and we have to have the record corrected  
 25 because you can't go around misstating things.

1 BY MR. SMITH:

2 Q. Hi, Ms. Sallee. Do you have Mr. Evanko's  
 3 testimony in front of you? Do you see the excerpts  
 4 there?

5 MR. STEWART: And you have my standing  
 6 objection, and I will not interrupt your  
 7 examination if it's clear my objection to this is  
 8 standing.

9 MR. SMITH: Okay.

10 BY MR. SMITH:

11 Q. You've got it in front of you?

12 A. Yes.

13 Q. Okay. I wanted to ask you about Page 152  
 14 in there if you would flip through. These are just  
 15 excerpts from his deposition, and let me know when  
 16 you get to Page 152.

17 A. Okay.

18 Q. Okay. And actually if you go down to  
 19 Line 13, you see Mr. Evanko's talking about the  
 20 transactions they have and whether they're arm's  
 21 length. Do you see that?

22 A. Yeah.

23 Q. And you see that the data that he's  
 24 received was so scant of arm's length transactions.  
 25 There could not have been a study developed because

1 it was just absolutely insufficient data. Do you  
2 see that?

3 A. Okay. I see that.

4 Q. And Mr. Evanko's testimony is generally  
5 consistent with the other materials we've seen from  
6 the assessor's office indicating that most of the  
7 transactions are not arm's length, correct?

8 MR. STEWART: Objection.

9 THE WITNESS: Well, I haven't seen any of the  
10 data, so I don't know.

11 BY MR. SMITH:

12 Q. Well, I mean, we saw some other documents  
13 talking about how most of the transactions were not  
14 arm's length. Do you recall that?

15 A. I don't know if most of the transactions  
16 were not arm's length.

17 Q. So you don't know what percent of the  
18 transactions the City has that are arm's length  
19 transactions, correct?

20 A. I do not know a percent, no.

21 Q. If you go over to Page 223 of the  
22 document, it's like the last two pages. Let me  
23 know when you get to 223.

24 A. Okay.

25 Q. If you'll look at Line 18, Mr. Evanko is

1 A. So I had to -- I had several conversations  
2 with Mr. Evanko. I've talked with him in January  
3 of 2014 and received some data from him. He  
4 answered some questions. I also had conversations  
5 with Alvin Horhn in his office. And I had a call  
6 with Alvin in February of 2014, and I ran the  
7 10 percent reduction by him, and he -- he said that  
8 was reasonable.

9 Q. Did you ever run the 10 percent reduction  
10 in personal property tax by Mr. Evanko before you  
11 put that in your report?

12 A. I can't remember if it came up in the  
13 conversations with him in January or not. I know I  
14 did run it by, because of my notes, with Alvin  
15 Horhn.

16 Q. Do you have written notes of all of your  
17 conversations with people at the City?

18 A. No, I don't.

19 Q. Do you have written notes of any of your  
20 conversations with people at the City or others you  
21 rely on?

22 A. I do have some written notes.

23 Q. Do you know if those have been collected  
24 for production?

25 A. They have.

1 asked but when I said you don't remember discussing  
2 this with Ernst & Young, I was correct, right?  
3 Right. You don't recall discussing .5 reduction of  
4 10 percent in collection in fiscal year 2015 due to  
5 loss of revenue from the small business personal  
6 property tax exemption? Not only do I not -- I do  
7 not recall, but this is a ridiculous estimate. I  
8 knew in December of 2013 that the small business  
9 personal property tax exemption would affect the  
10 City's tax base by approximately .7 of 1 percent,  
11 not 10 percent.

12 Do you see that?

13 A. Uh-huh.

14 Q. So Mr. Evanko is characterizing your  
15 forecast of the reduction in personal property tax  
16 as a ridiculous estimate, correct?

17 MR. STEWART: Objection.

18 THE WITNESS: Well, he says this is a  
19 ridiculous estimate.

20 BY MR. SMITH:

21 Q. And you didn't have any conversation with  
22 Mr. Evanko to ask him about whether it was a  
23 reasonable estimate the reduction in personal  
24 property tax before you put it in your report,  
25 correct?

1 Q. Do you understand that under the proposed  
2 legislation that there's sums that will be  
3 reimbursed to cities to help offset reductions in  
4 personal property taxes?

5 A. Yes, there's a replacement mechanism.

6 Q. Do you have an understanding that under  
7 the legislation, not all property is subject to the  
8 reduction in personal property tax?

9 A. What's the question?

10 Q. Is there some property that would be  
11 exempted from the reduction in personal property  
12 tax under the legislation?

13 A. So in personal property, you have  
14 commercial, industrial and utility. Utility  
15 property is not exempt, would not be subject to the  
16 reduction, and there's a -- and there's different  
17 phase-outs of how commercial and industrial are  
18 affected.

19 Q. Before today, you were never informed that  
20 Mr. Evanko had characterized your forecast for the  
21 reduction in personal property tax in the manner  
22 that he did in his deposition, correct?

23 A. So I have had some conversations with my  
24 lawyers about --

25 MR. STEWART: You can't talk about what you

1 talked to your lawyers about.

2 THE WITNESS: Okay.

3 MR. STEWART: He can ask -- he can tip-toe  
4 around the subject, and he will do that, but  
5 that's -- there's a little dance we usually do.

6 BY MR. SMITH:

7 Q. Did you know before today that Mr. Evanko  
8 characterized your personal property tax forecast  
9 reduction as ridiculous?

10 MR. STEWART: You can answer that.

11 THE WITNESS: I did not know he said it was  
12 ridiculous.

13 BY MR. SMITH:

14 Q. Okay. Then Mr. Evanko is asked on  
15 Page 224, he's asked about this -- the reassessment  
16 that's going to be completed in 2020. Do you see  
17 that?

18 A. Uh-huh.

19 Q. The planned reappraisal study?

20 A. Yeah.

21 Q. And he's asked and you could not have  
22 given them an estimate of how much to reduce  
23 taxable value based on this study because you,  
24 yourself don't know which way it's going to come  
25 out, correct? And he answers I don't know where --

1 in value as a result of the planned reappraisal  
2 study, correct?

3 MR. STEWART: Are you asking her that's what  
4 this says?

5 BY MR. SMITH:

6 Q. That's what his testimony is, correct?

7 MR. STEWART: Objection.

8 THE WITNESS: Can you say that one more time?

9 BY MR. SMITH:

10 Q. Mr. Evanko's testimony is that he doesn't  
11 know what the outcome of the reappraisal study will  
12 be in terms of whether property values will  
13 increase or decrease, correct?

14 A. It says here, yeah, he does not know how  
15 the reappraisal study will come out, correct.

16 Q. And in fact, nobody knows how the  
17 reappraisal study is going to come out in terms of  
18 effect on property values and assessments in the  
19 city, correct?

20 A. Nobody knows for certain.

21 Q. Would you agree that Mr. Evanko would  
22 certainly be one of the most knowledgeable people  
23 in terms of assessed values in the City of Detroit?

24 MR. STEWART: Objection.

25 THE WITNESS: Mr. Evanko is knowledgeable of

1 how it's going to come out next year. 2020 is a  
2 lifetime.

3 And then he's asked okay, and he testifies  
4 you know, I'll be collecting Social Security living  
5 in North Carolina. And then he's asked I know  
6 you're thinking about two years. I know where your  
7 head is at, but you agree with my statement. You  
8 did not provide them with -- you didn't tell them  
9 this is about what it's going to look like when the  
10 reappraisal study is done, correct? Absolutely  
11 correct.

12 Do you see that testimony?

13 A. Uh-huh.

14 Q. Before today, were you aware of that  
15 testimony by Mr. Evanko?

16 A. I was not aware of this testimony, no.

17 Q. Okay. It's true that Mr. Evanko did not  
18 provide you with the assumption you use in your  
19 forecast regarding a reduction in assessed value as  
20 a result of the planned reappraisal, correct?

21 A. Mr. Evanko did not provide the assumption  
22 that was used in our forecast.

23 Q. And in fact, Mr. Evanko's testimony is  
24 that he doesn't know what the outcome will be in  
25 terms of whether property will increase or decrease

1 the assessed values in Detroit.

2 BY MR. SMITH:

3 Q. In fact, Mr. Evanko is responsible for the  
4 assessed values in Detroit as the assessor,  
5 correct?

6 A. He is.

7 Q. And in fact, Mr. Evanko would be one of  
8 the most knowledgeable people about assessed values  
9 in Detroit, correct?

10 MR. STEWART: Objection.

11 THE WITNESS: He is a knowledgeable person.

12 BY MR. SMITH:

13 Q. Mr. Evanko has been dealing with assessed  
14 values in Detroit for much longer than you have,  
15 correct?

16 A. My understanding is he joined the City in  
17 January.

18 Q. Do you know where he joined from?

19 A. I think I was told he was at Wayne County.

20 Q. And at Wayne County, he would be dealing  
21 with assessed values in the city of Detroit,  
22 correct?

23 A. I don't know what he did.

24 Q. I'd like to go back to your report now.

25 A. Okay.

1     Q. Page 9 you talk about how you had assumed  
 2 there would be a reduction -- well, you talk about  
 3 the planned reassessment at the top of Page 9,  
 4 correct?

5     A. Yes.

6     Q. And you used your judgment in order to  
 7 come up with the figure you used to reduce planned  
 8 assessment as -- assessed values as a result of the  
 9 planned assessment, correct?

10    A. No. I only looked at taxable value, so I  
 11 took into account the City's activities and its  
 12 impact on taxable value.

13    Q. Okay. So you used your judgment in  
 14 developing the assumption about what taxable value  
 15 would be under the reappraisal study that's  
 16 planned, correct?

17    A. So after the reappraisals and the  
 18 reassessments, I took those into account in  
 19 thinking about what happens to taxable value.

20    Q. And did the value you used to reduce  
 21 taxable value as a result of the reappraisal study,  
 22 was that based on your judgment?

23    A. The parameter I used was based on my  
 24 judgment after the reappraisal study.

25    Q. Okay. On Page 9 down under C, you say

1 the effect on improved services on property tax  
 2 revenues, correct?

3     A. Did not look at the relationship between  
 4 improved city services and property tax revenue.

5     Q. Do you agree it's at least theoretically  
 6 possible that improving city services could  
 7 increase property tax revenues?

8     A. I agree it's theoretically possible.

9     Q. Page 9 to 10 you talk about the growth  
 10 rates after recessions. Do you see that?

11    A. Yes.

12    Q. And you mention historical data. What  
 13 historical data did you look at?

14    A. So I pulled historical taxable value  
 15 information from the State Tax Commission for  
 16 Detroit.

17    Q. And then did you use your judgment to set  
 18 the various growth rates that you assume in your  
 19 forecasting model?

20    A. Yeah. So I performed some analysis and  
 21 then used that analysis to select growth rates.

22    Q. When you say analysis, what calculation  
 23 did you perform?

24    A. So in this case, looking at historical  
 25 taxable value and trends and seeing during

1 that the reinvestment scenario estimates  
 2 improvements to the tax base on collections of the  
 3 general operations and economic environment of the  
 4 city improved during the 10-year period. Do you  
 5 see that?

6     A. Uh-huh.

7     Q. And the City anticipates that improved  
 8 economic conditions will increase property values,  
 9 correct?

10    A. You said the City?

11    Q. Yeah, the City.

12    A. Okay.

13    Q. Well, do you anticipate that -- do you  
 14 anticipate that improved economic conditions will  
 15 increase property values?

16    A. So this scenario does say that if the  
 17 economy in Detroit improves, we would see  
 18 improvement to taxable values in the city. We  
 19 would see improved property tax revenue.

20    Q. And under your model, improving services  
 21 in the city should improve property tax revenues,  
 22 correct?

23    A. We didn't look at services offered by the  
 24 City.

25    Q. Okay. So you did no analysis to determine

1 different periods on different tax bases what's  
 2 happened in the city.

3     Q. For any of the historical trends that you  
 4 talk about in your report, did you actually come up  
 5 with a mathematical formula to specify the trend,  
 6 or did you eyeball it?

7     MR. STEWART: Objection.

8     THE WITNESS: So I mean, I would type in a  
 9 compounded annual growth rate formula and calculate  
 10 the compound annual growth rate, things like that.  
 11 That's a formula, I guess.

12 BY MR. SMITH:

13    Q. But in order to do the trend, I mean, how  
 14 did you figure out what the trend was? Did you do  
 15 any mathematical analysis to determine the trend or  
 16 not?

17    A. So I would calculate certain things using  
 18 the data.

19    Q. What kind of things?

20    A. Like the compounded annual growth rate  
 21 during certain periods.

22    Q. Did you just take an average of certain  
 23 number of years or --

24    A. So I would look at a time period, and then  
 25 I would calculate -- so compounded annual growth

1 rate is what is the average growth rate during that  
2 time period that gets you from Point A to Point B.

3 Q. Okay. But then -- so you would just take  
4 a compounded annual growth rate over how many  
5 years?

6 A. So I would look at a time period and then  
7 calculate the compounded annual growth rate.

8 Q. Do you know what the time period was that  
9 you were using?

10 A. So I used different periods and different  
11 times, and I tried to lay that out, but normally I  
12 went back as far as I could. So the State Tax  
13 Commission data goes back to 2001, I believe, and  
14 then the -- then the most recent data I had was  
15 through 2013. So I looked at that period to get a  
16 sense of what -- in terms of long-run trends what  
17 happened to taxable value.

18 Q. Okay. Did you just do compounded annual  
19 growth rate for all those trends?

20 A. So I used the compounded annual growth  
21 rate for the long-run trend for certain things, and  
22 then if I wanted to see during, you know, periods  
23 after a recession or before a recession, so I used  
24 different time periods depending on what I was  
25 trying to do.

1 years 2023, to see what the long-run change is in  
2 taxable value for Detroit during the periods. So  
3 you use that, which during that period there were  
4 ups and downs and used that long-run growth rate  
5 for the extrapolation of property taxes post 2027.

6 Q. But you reduced the growth rate under your  
7 analysis, correct?

8 A. So we have various growth rates during the  
9 extrapolation, so in the forecast at the end of the  
10 10-year, we have -- across the board, we have sort  
11 of improvements in Detroit, and so we modeled  
12 growth in property taxes that looked more like the  
13 national. And then we have sort of that period  
14 phasing down until we get to the long-run  
15 equilibrium.

16 Q. The reductions in the growth rate, though,  
17 that you put into your model, were those based on  
18 your judgment?

19 A. And so after doing the analysis, I looked  
20 at the data, and then I made a judgment about what  
21 growth rates I should put in there.

22 Q. And you reduced them, correct?

23 A. And I reduced to reach the long-run  
24 equilibrium.

25 Q. And then you used some building permit

1 Q. So you used different time periods in  
2 assessing historical trends -- the various  
3 historical trends that you discuss in your report;  
4 is that correct?

5 A. There are different time periods in my  
6 report for different things.

7 Q. Okay. Why did you use different periods  
8 of time in looking at national trends for property  
9 tax collections in D? It's in Paragraph D(ii).

10 A. So part of the forecasting procedure is to  
11 look at past data and to understand historical  
12 trends, and then throughout our forecast work, we  
13 consulted forecasts when they were relevant. And  
14 in this case, the Congressional Budget Office has  
15 a -- they put together a 10-year forecast, and so I  
16 looked to see what the Congressional Budget Office  
17 had forecast. So they have the Federal Housing  
18 Finance Agency House Price Index, so I looked to  
19 see what they had forecasted nationally, and their  
20 forecast only goes to 2023.

21 Q. For the growth rates after 2027, are those  
22 growth rates that you essentially picked using your  
23 judgment?

24 A. So growth rates after 2027 used the  
25 historical data that I mentioned before, so tax

1 data for Wayne County, correct?

2 A. Correct.

3 Q. And have you updated that data to the  
4 present time or not?

5 A. So I used through 2013, which would be the  
6 most recent data available.

7 Q. Well, there is data available for 2014 now  
8 regarding building permits for Wayne County,  
9 correct?

10 A. So there would be a few months' worth of  
11 data. It wouldn't be for the entire year.

12 Q. Have you looked to see what that data  
13 shows?

14 A. I did pull -- in the latest round, I  
15 pulled as much data as there were last month, so I  
16 would have pulled a few months more of data.

17 Q. But did you use -- did you factor any of  
18 the data from 2014 for building permits and  
19 construction into your analysis?

20 A. I did not use 2014 because I didn't have  
21 an entire year.

22 Q. Okay. Has there been an increase in  
23 construction permitting activity in terms of the  
24 dollar amount of construction in 2014 so far  
25 compared to prior years?

1       A. So all years are showing there was  
2 construction in Wayne County.  
3       Q. And my question is is there an increase in  
4 activity in 2014 in terms of construction activity?  
5       A. My recollection going off memory was that  
6 we're looking better in 2014.  
7       Q. And what purpose did you use the  
8 permitting and construction data for?  
9       A. So residential taxable value, one of the  
10 components of that are additions to the tax base.  
11 And to get a sense of what new activity there was,  
12 I looked at the permit data for Wayne County, and  
13 then I apportioned that activity to Detroit based  
14 on Detroit's share of taxable value in the county.  
15       Q. All other things being equal, the more  
16 permitting and construction activity there is, the  
17 more property tax revenue will be forecasted,  
18 correct?  
19       A. It depends because you could have  
20 construction activity and the City puts it in a  
21 Renaissance Zone, and you don't pay taxes on it.  
22       Q. Well, I mean, how did you use the data in  
23 your -- in developing your assumptions?  
24       A. So I looked at it to see what sort of  
25 increases in taxable value were happening and used

1       A. It would be whatever the realtors in this  
2 association are reporting.  
3       Q. And they would only be reporting housing  
4 sale prices, correct?  
5       A. As opposed to what?  
6       Q. Most of the housing stock is not being  
7 sold, correct? There's houses that aren't sold,  
8 right?  
9       A. That's right. Like Case-Shiller or other  
10 things, it's measuring -- this data is measuring  
11 sales.  
12       Q. Okay. And so this data that you've used  
13 in your analysis doesn't give us a value for houses  
14 that aren't being sold during the period you  
15 examined, correct?  
16       A. This is just sales data.  
17       Q. Okay. So it wouldn't give us a value for  
18 the houses that aren't being sold during the period  
19 you've looked at, correct?  
20       A. It would not tell me the sales price of  
21 housing that has not been sold, yes.  
22       Q. And it wouldn't tell you the value of  
23 housing that hasn't been sold, correct?  
24       A. It wouldn't tell me the market value of  
25 homes that have not been sold.

1 that to inform my growth rate selection.  
2       Q. And did increasing building or  
3 construction activity in your model, would that  
4 lead to increase in property tax revenue?  
5       A. In my model, increases in permitting and  
6 new additions to the tax base, higher taxable  
7 value, all things equal, leads to more property tax  
8 review.  
9       Q. Over on Page 13, you mentioned the Detroit  
10 Association of Realtor data that we've discussed  
11 previously. Do you see that?  
12       A. Uh-huh.  
13       Q. And you say that according to Detroit  
14 Association of Realtors data, average existing home  
15 prices in Detroit fell 63 percent between 2006 and  
16 2013. Do you see that?  
17       A. Yes.  
18       Q. In fact, the data that's being reported by  
19 the Detroit realtors is data for home sales,  
20 correct?  
21       A. They're reporting average home sale  
22 prices.  
23       Q. Right. So it's only a subset of the  
24 housing stock that's being actually sold that the  
25 Detroit index is measuring, correct?

1       Q. Okay.  
2       A. True.  
3       Q. Why did you only -- was data available  
4 before 2006?  
5       A. Yeah. As we pointed out earlier, I had  
6 1995, '98, 2001 to 2006.  
7       Q. Okay.  
8       A. I'm sorry. 2001 to 2013 and then some  
9 months of 2014.  
10       Q. Okay. Did you only use a subset of the  
11 data you had reviewed in using -- in terms of  
12 calculating a housing price, or what did you use  
13 this data for first?  
14       A. So as part of looking at the residential  
15 taxable value, an important component of that is,  
16 you know, what's happening to sort of the market  
17 values, how does that -- how does that impact state  
18 equalized value? What's the relationship there,  
19 state equalized value, capped value? This is part  
20 of helping us think -- helping me think through  
21 what's going on with the residential taxable value.  
22       So I looked at Detroit Association of  
23 Realtor data because it's publicly available data  
24 on the market value of residential homes in the  
25 city. And things like Case-Shiller only look at

1 the metro area, not Detroit specifically, so this  
2 was a chance to have some Detroit-specific data.

3 Q. Okay. And why didn't you look -- I mean,  
4 did you use the data to -- as a number input in  
5 your model? How was it used?

6 A. How was it used? So again, we did the  
7 analysis to see sort of where home prices were in  
8 the city and compare it to the City of Detroit's  
9 published state equalized value and taxable values,  
10 and then I was able to use that information in  
11 helping think through what was going to happen to  
12 residential taxable value in the forecast, so it  
13 helped me select my growth rates.

14 Q. Okay. And so the -- if you had looked at  
15 a different period of time, your growth rate  
16 assumptions would be different, correct?

17 A. Well, I did look at different periods of  
18 time. So I looked at longer periods and shorter  
19 periods, and I -- ultimately this information was  
20 used to help think through, you know, what were  
21 home prices -- average home prices five, 10, 15,  
22 20 years ago, and what would their taxable value  
23 look like today versus where would it be reset if  
24 the home sold today. And so that helped me think  
25 about well, how much would taxable value have to

1 Q. And did you use your judgment to pick  
2 whether the rate would change in a given year for  
3 all the years that are covered by your forecast?

4 A. Well, so the goal here in using -- so  
5 using some data to think about what's likely to  
6 happen to taxable value and then looking at sort of  
7 overall how much -- looking at the data, how much  
8 do I think taxable value on the residential side  
9 needs to drop and then spreading that out and  
10 thinking through how many years is it going to  
11 take, is this process going to take and then  
12 applying a growth rate for -- to those years.

13 Q. When you say figuring out how much  
14 residential value needs to drop, what do you mean?

15 A. So doing an analysis looking at -- in this  
16 case -- so overassessments impact taxable value in  
17 the following way. If your house is overassessed,  
18 your state equalized value is going to be higher  
19 than your capped value, and you're going to be  
20 paying taxable value equal to your capped value.  
21 If your assessment falls and your equalized value  
22 goes below your capped value, then your taxable  
23 value would fall, so it would be the lesser of the  
24 two.

25 And so I've now forgotten what you've

1 fall, how much is state equalized value likely to  
2 fall and go below -- need to go below the capped  
3 value and therefore, affect taxable value.

4 All of that is to say I looked at various  
5 time periods and used that to think through what  
6 needed to happen to taxable value in the forecast  
7 for residential property.

8 Q. Okay. If the property values don't fall  
9 below capped value, I mean, what's the effect of  
10 that?

11 A. I don't understand your question.

12 Q. Let me ask a better question. Down at the  
13 bottom of Page 13, you say that your forecast  
14 assumes a reduction in residential taxable value of  
15 between negative 2 and 4 percent per year between  
16 fiscal year 2016 and fiscal year 2020?

17 A. Yes.

18 Q. Is that assumption based on your judgment?

19 A. I used my judgment to select those rates,  
20 yes.

21 Q. And did those rates change over each year?

22 A. There are some years that I think have the  
23 same rate, so it varied depending on -- some of  
24 them are the same. Some of them aren't. I can't  
25 remember year to year what I picked.

1 asked me after having gone through that.

2 Q. Right now the county isn't -- right now  
3 the county is saying that the properties are not  
4 overassessed, correct?

5 MR. STEWART: Objection.

6 THE WITNESS: I don't know if the -- the county  
7 has given it an equalization factor of 1.

8 BY MR. SMITH:

9 Q. Okay. And that means in the county's  
10 view, the property is not overassessed, correct?

11 MR. STEWART: Objection.

12 THE WITNESS: Through their process, the county  
13 has given them an equalization factor of 1.

14 BY MR. SMITH:

15 Q. Okay. And that means the county  
16 determines that the property is not overassessed  
17 because if it thought it was overassessed, it  
18 wouldn't give them a value of 1, correct?

19 A. So the process is that if the county  
20 thinks that the property is overassessed, it would  
21 not give it a factor of 1.

22 Q. 15 percent value at the bottom of the  
23 page, that's the value that you assumed for the  
24 effect on taxable value from the reappraisal study  
25 that's planned in three -- that's going to take

1 three to five years, correct?  
 2 MR. STEWART: Sorry. Where are we again?  
 3 THE WITNESS: Where are we?  
 4 BY MR. SMITH:  
 5 Q. Bottom of Page 14. The 15 percent drop in  
 6 residential taxable value is the value you assumed  
 7 based on that reappraisal study that's going to  
 8 take place in the future; is that correct?  
 9 A. Yes.  
 10 Q. And then over on the top of Page 15, you  
 11 say that your assumption of the 15 percent decline  
 12 would bring residential taxable value to  
 13 approximately half of its fiscal 2013 level. Is  
 14 that accurate?  
 15 A. That's accurate.  
 16 Q. And so based on your assumption regarding  
 17 the effect of the reappraisal study, you're saying  
 18 that the taxable value of the property in the city  
 19 would be reduced in half, correct?  
 20 A. No. I said the residential value would be  
 21 half.  
 22 Q. As a result of your assumption about the  
 23 reappraisal study, you're concluding that the  
 24 residential taxable value will be reduced in half,  
 25 correct?

1 the City is going to do in the future in terms of  
 2 evaluation of industrial or commercial property?  
 3 Like have you investigated its plans or not?  
 4 A. I have not talked to the City about their  
 5 plans about how they're assessing commercial  
 6 industrial property.  
 7 Q. And the reason you don't have the big drop  
 8 in taxable value for a commercial and industrial  
 9 property is because you're not using this  
 10 assumption of a reappraisal for those categories of  
 11 property, correct?  
 12 A. So in this case, I don't have the  
 13 reappraisal process resulting in a huge drop in  
 14 commercial and industrial taxable value.  
 15 Q. But you do have a huge drop in taxable  
 16 value for the residential property based on the  
 17 planned reappraisal study that's going to take  
 18 place over the next several years, correct?  
 19 MR. STEWART: Objection.  
 20 THE WITNESS: Can you say that again?  
 21 BY MR. SMITH:  
 22 Q. You do have a huge drop in the taxable  
 23 value for residential property based on this  
 24 reappraisal study that's planned to take place in  
 25 the future over the next several years, correct?

1 A. It will be half of its fiscal year 2013  
 2 level, the residential taxable value.  
 3 Q. For commercial or industrial property, how  
 4 did you go about figuring out taxable value for  
 5 those?  
 6 A. So taxable value, how did I go about  
 7 figuring out? So commercial and industrial taxable  
 8 value, I pulled historic information as the  
 9 starting point and then applied growth rates for  
 10 the forecast period.  
 11 Q. For commercial and industrial property,  
 12 you didn't factor in the potential of reappraisal  
 13 during the forecast period, correct?  
 14 A. So during the next few years, I have  
 15 commercial and industrial property taxable value  
 16 declining. How property is evaluated for  
 17 commercial industrial, I did not have a big factor  
 18 like I did with residential.  
 19 Q. Do you know how the value of commercial  
 20 industrial property is set by the City?  
 21 A. For personal, I understand. For real  
 22 property, I know the methods they can choose from.  
 23 I don't know exactly what the City has been  
 24 selecting.  
 25 Q. Do you know -- I mean, do you know what

1 A. So I have a 15 percent drop in -- well, I  
 2 have a 15 percent drop between fiscal year 2019 and  
 3 2020 on the residential side because of the  
 4 reappraisal.  
 5 Q. And that 15 percent drop results in wiping  
 6 out half of the taxable value of residential  
 7 property in the city, correct?  
 8 A. When you take into account what the  
 9 taxable value is by 2020 compared to 2013, it's  
 10 going to be half of the 2013 level.  
 11 Q. And that's in addition to drops in taxable  
 12 value that have already occurred before 2013,  
 13 correct?  
 14 A. The drops of taxable value before 2013?  
 15 Q. Yeah. Before 2013, taxable value already  
 16 decreased, correct?  
 17 A. Yes.  
 18 Q. And so your forecasted 50 percent  
 19 reduction is in addition to the reduction that has  
 20 already occurred in taxable value in the city for  
 21 residential property, correct?  
 22 A. There have been reductions in taxable  
 23 value, and we have continued reductions occurring  
 24 because of reassessments and reappraisals, yes.  
 25 Q. And the continued reduction in taxable

1 value, that's because of actions the City is going  
2 to take in the future, correct?

3 A. So some of the reductions in the  
4 residential taxable value are based on planned  
5 actions of the City, and some of them are not.

6 Q. Which ones are not?

7 A. Well, so as detailed earlier, there are,  
8 you know, things that are at -- causing taxable  
9 value on the residential side to decline that  
10 aren't based on the study, so population declines,  
11 etcetera.

12 Q. The greatest factor in reducing taxable  
13 value in your analysis are actions the City is  
14 going to take in the future, correct?

15 A. Can you say that again?

16 Q. The greatest factor causing a reduction in  
17 taxable value in your forecast is actions that the  
18 City is going to take in the future, correct?

19 A. So the largest drop in taxable value in  
20 the forecast have been -- so in fiscal year 2015,  
21 the City lowered assessments, and so that created a  
22 large drop in taxable value for residential, and so  
23 that's an action of the City. And then the planned  
24 reappraisal study is a second large -- results in a  
25 second drop in taxable value, and it is also an

1 reassessments came out already, were you aware  
2 there was a press conference where the politicians  
3 all came out and said look, we're lowering your  
4 property taxes? Were you aware of that?

5 A. I was aware there was a press conference.

6 Q. And you're aware the politicians in the  
7 city of Detroit were saying that the reappraisal  
8 that they did which lowered property taxes was done  
9 to benefit the residents of the city, correct?

10 A. I haven't read anything about what city  
11 officials are saying about the reassessments.

12 Q. You agree that Detroit is planning to do a  
13 reassessment even though Wayne County is saying the  
14 property is properly assessed, correct?

15 A. I don't know if Wayne County is saying the  
16 properties are properly assessed. They're giving  
17 it a state equalization factor of 1.

18 Q. Okay. Even though -- even though Wayne  
19 County is giving the property an equalization  
20 factor of 1, which means it's not over or  
21 underassessed, the City, nonetheless, is going to  
22 go in and reappraise the property, correct?

23 MR. STEWART: Objection.

24 THE WITNESS: So my understanding is the City  
25 is taking -- hiring a group to parcel by parcel

1 action of the City, yes.

2 Q. And do you have any idea what factors were  
3 taken into account in assessing property in the  
4 city?

5 A. So I know theoretically what they could be  
6 using. I don't know what they are actually using.

7 Q. So you don't know what factors the City  
8 used in factoring assessments in the reappraisal it  
9 has done so far, correct?

10 A. I do not know the specifics.

11 Q. And you do not know what factors the City  
12 may use in its planned reappraisal study in the  
13 future, correct?

14 A. So the reappraisal study, they're hiring  
15 an outside firm to do the reappraisal, so the City  
16 will take that information. I don't know exactly  
17 how they're going to use it.

18 Q. I mean, part of the reason the City seems  
19 to be reducing assessments is basically for  
20 political reasons to reduce people's property  
21 taxes, correct?

22 MR. STEWART: Objection.

23 THE WITNESS: I have no idea.

24 BY MR. SMITH:

25 Q. Well, do you know that -- when the

1 reassess the property in the city.

2 BY MR. SMITH:

3 Q. Page 17, you note that much of the  
4 industrial personal property qualifies for a  
5 Renaissance Zone exemption. Do you see that?

6 MR. STEWART: What paragraph?

7 MR. SMITH: Up at the top of Page 17.

8 THE WITNESS: Uh-huh.

9 BY MR. SMITH:

10 Q. Do you know what percent of the industrial  
11 personal property is subject to a Renaissance Zone  
12 exemption?

13 A. Off the top of my head, no. Let me see.  
14 I think about two-thirds of it. This is just  
15 without my spreadsheet in front of me.

16 Q. During the historical period that you've  
17 looked at, did property tax rates change?

18 MR. STEWART: Could I have the question reread,  
19 please.

20 (Whereupon, the record was  
21 read as requested.)

22 THE WITNESS: Which specific property tax  
23 rates?

24 BY MR. SMITH:

25 Q. Well, did any of them change?

1       A. I don't know.  
 2       Q. Well, you mentioned that there were some  
 3 years where the rates were above 20, and I'm just  
 4 wondering whether there were other changes that you  
 5 noticed in property tax rates in the historical  
 6 data that you examined?

7       A. So I don't know for the years where I  
 8 pulled taxable value what the property tax rates  
 9 were in those given years year by year. I don't  
 10 know.

11      Q. You're assuming that no property rate  
 12 changes will change for the next 40 years, correct?

13      A. The analysis done as such keeps the tax  
 14 rate constant.

15      Q. And it does that for 40 years, correct?

16      A. Well, so we did a 10-year forecast where  
 17 we kept our tax rates at current level, current law  
 18 levels and then extrapolated for another 30 years,  
 19 and so that, in effect, we're sort of holding tax  
 20 rates constant.

21      Q. And you're doing that, in effect, for  
 22 40 years, correct?

23      A. For 40 years in total.

24      Q. Have you ever done a forecast before when  
 25 you assumed the tax rates would remain constant for

1 revenues. You haven't done any forecasts of  
 2 overall tax revenues to a city or other government  
 3 entity for as long as 10 years, correct?

4       A. I can't remember if for the Business  
 5 Leaders for Michigan project, which was forecasting  
 6 State of Michigan tax revenue, how long our time  
 7 frame was. That was forecasted at least five  
 8 years. I don't know how much longer if I did -- if  
 9 I did beyond that.

10      Q. Okay.

11      A. So I don't know.

12      Q. And that was just the sales -- was that  
 13 limited to certain taxes in Michigan, or was it all  
 14 taxes?

15      A. In that case, it was limited to a few  
 16 taxes.

17      Q. When you did the Flint, Michigan forecast,  
 18 how many years was that?

19      A. Five years.

20      Q. Did you assume that tax rates would all  
 21 stay constant for five years in Flint, Michigan?

22      A. So I think as I said earlier, they do have  
 23 certain millages expiring, and so anything that was  
 24 in current law we took into account. So if a  
 25 millage was expiring, then we would add it back in

1 as long as 40 years?

2       A. I think this is the only time I've done a  
 3 40-year forecast.

4       Q. And is it the only time you've done a  
 5 10-year tax forecast?

6       A. I have done 10-year forecasts of tax  
 7 revenue for specific projects for individual  
 8 clients.

9       Q. Okay. But you had never done a forecast  
 10 for as long as 10 years trying to forecast revenues  
 11 for a city or other government entity, correct?

12      A. I don't think so. I think just Detroit.

13      Q. And I mean, in the other -- what's the  
 14 longest tax forecast that you've done for a city or  
 15 any other governmental entity other than the  
 16 Detroit one?

17      A. Well, so most of my work that I've done  
 18 I've forecasted tax revenues to a municipality, but  
 19 I wasn't working for the municipality. So I've  
 20 done forecasts for -- I guess I've done forecasts  
 21 for projects involving taxes to the State of  
 22 Michigan. You know, those have been five to  
 23 10 years.

24      Q. I mean, my question is not about  
 25 individual projects. I'm talking about overall tax

1 for parts of the analysis where it was relevant.

2       Q. And did you look at corporate tax at all  
 3 in your Flint, Michigan analysis?

4       A. So we looked at income taxes.

5       Q. And you know the corporate income tax  
 6 rates changed recently, correct?

7       A. Corporate tax rates have changed, yes.

8       Q. Did you factor that into your analysis, or  
 9 was that not during the period of your analysis?

10      A. So anytime there were changes that had  
 11 been enacted, they were taken into account. So if  
 12 there was something on any of the taxes, if they  
 13 were by law slated to expire, decrease, increase,  
 14 we would incorporate that.

15      Q. And do you advise about various tax rates  
 16 in different states in the course of your practice?

17      A. What do you mean by advise?

18      Q. I mean do you give advice or do analysis  
 19 of tax rates in different states or what they are?

20      MR. STEWART: Objection.

21      THE WITNESS: So part of our practice, we will  
 22 look at effective tax rates that various industries  
 23 are facing in certain states. We do a tax burden  
 24 study where we look at the tax environment for all  
 25 50 states. So we don't offer specific advice about

1 whether you should lower or increase your taxes.  
 2 We will do an analysis of what businesses are  
 3 paying.

4 BY MR. SMITH:

5 Q. But based on the surveys Ernst & Young  
 6 does, you know that tax rates change in states on  
 7 various taxes, correct?

8 A. Yes, tax rates change from time to time.

9 Q. And so -- well, do you update your survey  
 10 every year, or how often do you update that?

11 A. We have sort of complex models, so we  
 12 every few years will go through, and we will update  
 13 our models, our state-by-state models to take into  
 14 account tax rate changes that have happened.

15 Q. Okay. And you know that tax rates  
 16 frequently change on various taxes in the states,  
 17 correct?

18 A. I don't know about frequently, but when  
 19 tax rates change and have been -- gone into effect,  
 20 we put them in our model.

21 Q. Okay. Have there ever been any states  
 22 where tax rates didn't change for 10 or 40 years in  
 23 your survey that you can identify?

24 A. I don't know off the top of my head if  
 25 there are states that have had the same tax rate

1 A. The state level?

2 Q. Yeah.

3 A. Has the state? I can't remember if the  
 4 state personal income tax rate has -- I think it --  
 5 yes, it has changed. I mean, so yeah, there are  
 6 tax rates that have changed. New taxes have been  
 7 passed and old taxes eliminated.

8 Q. What kind of taxes have been passed in  
 9 Michigan in the last 10 years?

10 A. So we're going back to what, 2004, so the  
 11 single business tax was replaced with the Michigan  
 12 business tax, which then was replaced by the  
 13 corporate income tax.

14 Q. Has the sales tax changed in Michigan in  
 15 the last 10 years, if you know?

16 A. I don't think so.

17 Q. Page 18 at the bottom, you've got this  
 18 20 percent reduction or 20 percent of the property  
 19 tax revenue from industrial and commercial property  
 20 will not be replaced by a new funding mechanism.

21 Do you see that statement?

22 A. Yes.

23 Q. And that was an assumption you made based  
 24 on your judgment?

25 MR. STEWART: Objection.

1 for 10 or 40 years. I don't know.

2 Q. You can't identify anyone sitting here  
 3 today?

4 A. I don't know. I would have to look at the  
 5 data and then come back and tell you.

6 Q. You can't identify anyone sitting here,  
 7 any state where tax rates haven't changed for 10 or  
 8 40 years sitting here today, correct?

9 A. There could be. I just don't know off the  
 10 top of my head.

11 Q. And certainly you know that tax rates have  
 12 changed in the last 10 years in Detroit? I mean in  
 13 Michigan, correct?

14 A. Tax rates for various taxes have changed  
 15 in the last 10 years, yes.

16 Q. What kind of tax rates have changed in the  
 17 last 10 years in Michigan?

18 A. So Michigan's taxes on business have  
 19 changed in the last 10 years.

20 Q. And have corporate tax rates changed in  
 21 the last 10 years?

22 A. Well --

23 Q. I mean, have individual tax rates,  
 24 personal tax rates changed over the last 10 years  
 25 in Michigan?

1 THE WITNESS: So we looked at the -- looked at  
 2 the set of laws that had been passed about the  
 3 personal property tax, and I looked at the Michigan  
 4 Senate Fiscal Agency memo. And they put together  
 5 an estimate of how much of the lost revenue would  
 6 be replaced by various funding mechanisms, so that  
 7 was used to help me select how much revenue Detroit  
 8 would lose with the repeal and then to factor in  
 9 the likelihood that voters approve the referendum  
 10 next month.

11 BY MR. SMITH:

12 Q. And was that a statewide estimate, though,  
 13 of how much revenue would be replaced?

14 A. It was a statewide.

15 Q. So there wasn't any estimate of how much  
 16 revenue Detroit might lose from personal property  
 17 tax legislation that you've ever seen, correct?

18 A. I have not seen a Detroit-specific  
 19 estimate.

20 Q. Other than what Mr. Evanko provided in his  
 21 deposition, correct?

22 MR. STEWART: Objection.

23 THE WITNESS: Did he provide a specific number?

24 BY MR. SMITH:

25 Q. Yeah. He was talking about .7 percent.

1 MR. STEWART: No, he did not. He said that's  
 2 tax base. He used the word tax base. You just  
 3 misquoted him. She's talking about the personal  
 4 property receipts reduction. He was talking about  
 5 the overall tax base.

6 BY MR. SMITH:

7 Q. Okay. So you've never seen any estimate  
 8 for personal property tax receipts reduction in  
 9 anything you've seen, correct?

10 A. I have not seen anything that is  
 11 Detroit-specific.

12 Q. How did you pick -- I think you gave it a  
 13 50/50 chance of passing. How did you pick that  
 14 number?

15 A. So doing the analysis, we started doing  
 16 the work, like I said, over a year ago, and the  
 17 referendum, the ballot was coming up a year later.  
 18 And you know, just like most things, there's a  
 19 certain probability it will go through. At that  
 20 point, we had to select a probability that 50/50  
 21 was reasonable.

22 Q. I mean, you didn't do any investigation  
 23 into the likelihood of passage in the legislature  
 24 of the personal property legislation?

25 MR. STEWART: Objection.

1 that uncertainty is to assign a probability and  
 2 then to multiply that probability by sort of an  
 3 average reduction, what's a reasonable reduction in  
 4 property tax revenue, and so that's how we arrived  
 5 at our estimate.

6 BY MR. SMITH:

7 Q. You mentioned reasonable a lot of times.  
 8 Can you give me your definition of reasonable in  
 9 terms of forecasting?

10 A. In this case, reasonable is realistic or  
 11 likely.

12 Q. And you would agree with me there could be  
 13 more than one reasonable forecast for the City of  
 14 Detroit, correct?

15 A. I would agree with that.

16 Q. Page 18, Paragraph ix (a), you've got some  
 17 collection rates for residential property,  
 18 commercial property and industrial and utility  
 19 property. Were those assumptions based on your  
 20 judgement?

21 MR. STEWART: Which page?

22 MR. SMITH: 19.

23 BY MR. SMITH:

24 Q. On Page 19, you made -- you have some  
 25 numbers for the collection rates you used of

1 THE WITNESS: Well, by this point, the  
 2 legislature had already passed it, so it's whether  
 3 or not the voters approve it. And so you know, you  
 4 have to say, you know, I follow the press, and at  
 5 that point, some people are for it. Some people  
 6 are against it. So 50/50 seemed reasonable.

7 I mean, at the end of the day, we needed  
 8 to -- we were trying to come up with a reasonable  
 9 method of thinking about what personal property tax  
 10 revenue the City would lose, and this seemed like  
 11 the best method.

12 BY MR. SMITH:

13 Q. At the end of the day, nobody knows  
 14 whether this new legislation is going to pass about  
 15 personal property taxes; is that correct?

16 MR. STEWART: Objection.

17 THE WITNESS: I guess we'll know in two weeks,  
 18 a week and a half.

19 BY MR. SMITH:

20 Q. Right now, though, I mean, when you put  
 21 together your expert opinions, you had no way of  
 22 knowing whether the personal property tax  
 23 legislation would pass, correct?

24 MR. STEWART: Objection.

25 THE WITNESS: Yes. So the way of dealing with

1 50 percent for residential property, 3 percent for  
 2 commercial property, 87 percent for industrial  
 3 property and 100 percent for utility property.

4 Were those assumptions you made based on  
 5 your judgment?

6 A. These were after looking at data provided  
 7 by the City on their collection rates by type of  
 8 property, I then selected those rates.

9 Q. So in the baseline scenario, are you  
 10 assuming that the City is not going to collect more  
 11 than 50 percent of its residential property tax?

12 A. For part of it. So I kept the current  
 13 situation of about 50 percent collections on  
 14 non-delinquent for residential. I kept that  
 15 assumption for the next four years of the forecast,  
 16 and I increased it after that.

17 Q. And why was it four years that you kept  
 18 that assumption rather than five or six years?

19 A. It's coinciding with the reappraisal  
 20 study. So when the results go on, the forecast has  
 21 things stabilizing on the residential side.

22 Q. So it's your belief that the reappraisal  
 23 study will result in the stabilization of property  
 24 tax, or let me ask you another question. Is it  
 25 your view that the reappraisal study is going to

1 increase property tax collection rates?  
 2 A. So the forecast has, after the  
 3 reappraisal, a slight improvement to the collection  
 4 rate.  
 5 Q. And why is that?  
 6 A. So there are two things. One, the  
 7 collection rate goes up because you remove certain  
 8 property that isn't paying off the roll, and so  
 9 your tax base becomes smaller, but your collection  
 10 rate goes up. And the second is that if you have  
 11 people that have now seen their property tax bills  
 12 go down and they had been protesting because they  
 13 thought they were too high, they were ridiculous,  
 14 we have a small improvement in those folks' pain.  
 15 Q. And those improvements, were those just  
 16 numbers you picked based on your judgment?  
 17 A. So the improvements in those areas having  
 18 it -- kind of go back to times in history. So  
 19 before the most recent recession, as you noted  
 20 earlier, residential collection rates were in the  
 21 70s, and so use that historic information as a  
 22 guide to what's reasonable, you know, what kind of  
 23 improvement might we see. And so that helped me  
 24 select the collection rates in the forecast.  
 25 Q. Okay. On Page 20, under heading B, it

1 the relationship between reinvestment and  
 2 improvements in economic climate, correct?  
 3 A. It would be difficult to do that, but  
 4 you're right. There was no study that I looked at.  
 5 Q. You just kind of picked those numbers?  
 6 A. Ultimately I had to select some growth  
 7 rates.  
 8 Q. 20, down at the bottom of Page 20, you  
 9 have slight additions to taxable value of 1 percent  
 10 beginning in fiscal year 2017 for commercial and  
 11 industrial taxable values?  
 12 A. Uh-huh.  
 13 Q. Where did the 1 percent come from?  
 14 A. So in terms of looking at what has  
 15 happened, you know, to the City sort of post  
 16 downturns and what are kind of the size of  
 17 improvements, you know, using that kind of analysis  
 18 to help think about well, what are reasonable  
 19 growth rates, and at the end of the day selected  
 20 1 percent is a reasonable growth rate.  
 21 Q. On Page 21, you say the City's population  
 22 will continue to climb from 2024 until 2029. Do  
 23 you see that?  
 24 A. Yes.  
 25 Q. And then below it talks about how you're

1 says Ms. Sallee forecasted the planned city  
 2 reinvestments would have a modest impact on tax  
 3 revenues. Do you see that?  
 4 A. Yes.  
 5 Q. In fact, did you personally forecast the  
 6 effect of reinvestments on tax revenues, or was  
 7 that somebody else?  
 8 A. So in this case, we have in the scenario  
 9 reinvestments improving the City's economic  
 10 climate, and that, in turn, improves the tax bases  
 11 and ultimately tax revenue.  
 12 Q. How does reinvestment improve the City's  
 13 economic climate?  
 14 A. So there are a number of different ways.  
 15 In this case, the City, in their reinvestment  
 16 scenarios that I looked at, had things for blight  
 17 reduction or improved safety, improved lighting,  
 18 things that could ultimately, you know, positively  
 19 impact various property tax bases on the  
 20 residential and commercial industrial side. And so  
 21 this scenario thinks about well, what are the  
 22 likely magnitude of that -- you know, what's the  
 23 magnitude of improvements to the tax base, and then  
 24 we sort of modeled that in this scenario.  
 25 Q. You had no study or data, though, showing

1 forecasting no population growth from 2029 until  
 2 2033. Do you see that?  
 3 A. Uh-huh.  
 4 Q. Did you personally forecast the population  
 5 growth figures that you use, or was that Mr. Cline?  
 6 A. So I prepared the forecast after  
 7 discussions with Mr. Cline and Katie Ballard.  
 8 Q. Have you actually looked at any of the  
 9 data on population growth in the city of Detroit?  
 10 A. For what period?  
 11 Q. For any period of time.  
 12 A. So I've looked at population in Detroit  
 13 since 2000.  
 14 Q. Okay. And that's all the data you've  
 15 looked at?  
 16 A. The only other information I've looked  
 17 at -- so in one of the reports that I mentioned  
 18 that looked at sort of population trends between  
 19 1980 and 2010, so Detroit was one of those cities  
 20 in that information. The year-by-year data I have  
 21 looked at since 2000.  
 22 Q. And that's the -- is that the Brookings report?  
 23 A. That's the Brookings report.  
 24 (Document marked No. 15)  
 25 Q. I'm going to hand you what's been marked

1 as Exhibit 15, which is some information from that  
 2 Brookings report. Do you recall seeing this?  
 3 A. Uh-huh.

4 Q. And for Detroit, for example, during 1990  
 5 to 2000, there was actually -- it's got a number  
 6 here of 4.8 percent and .5 percent. Do you see  
 7 that?

8 A. Yeah.

9 Q. And the 10-year growth is the .5 percent  
 10 number. Do you see that?

11 A. Uh-huh.

12 Q. And the growth in Detroit during 1990 to  
 13 2000 is actually greater than other comparable  
 14 cities, correct?

15 MR. STEWART: Objection.

16 THE WITNESS: It's below Akron.

17 BY MR. SMITH:

18 Q. But it's above Chicago. It's above  
 19 Philadelphia. It's above Cleveland. It's above  
 20 New Orleans. It's above Scranton. It's above  
 21 Syracuse. It's above Toledo, right?

22 A. The Detroit metro area has been greater,  
 23 but Chicago and Philly are just the city only.

24 Q. And so there's been periods of time in the  
 25 last couple of decades where there's positive

1 been improving in recent years?

2 A. When you say auto industry, you mean both  
 3 domestic and international companies?

4 Q. Companies located in the Detroit area are  
 5 improving in the auto industry, correct?

6 A. Well, again, so how do you measure  
 7 improvement? More car sales? What?

8 Q. More revenues, more car sales, doing  
 9 better in general.

10 A. So there are different measures. I mean,  
 11 what's important more than anything for -- well, I  
 12 guess there are two things that are important. It  
 13 would be sort of cars that are being produced in  
 14 the region and so jobs associated with that, and  
 15 then like I said, jobs and employment in the  
 16 industry. I don't know off the top of my head what  
 17 employment in the auto industry has done in  
 18 southeast Michigan in recent years. It fell  
 19 dramatically the last decade, but I don't know  
 20 recently.

21 Q. I mean, what would you say are the drivers  
 22 of the economic health of the City of Detroit?

23 A. Can you be more specific with your  
 24 question?

25 Q. Well, I mean, what are the most -- what

1 population growth in Detroit, correct?

2 MR. STEWART: Objection.

3 THE WITNESS: Not in Detroit, the city, but the  
 4 metro area saw some growth. You had sort of a good  
 5 auto industry between 1990 to 2000, and so Detroit  
 6 metro, same population growth makes sense. I don't  
 7 think Detroit city gained population between 1990  
 8 and 2000.

9 BY MR. SMITH:

10 Q. Do you believe that there is a positive  
 11 relationship between the health of the auto  
 12 industry and the population in Detroit?

13 A. There has -- historically the entire  
 14 southeast region has been -- there's been a  
 15 relationship with the fortunes of the auto  
 16 industry, yes.

17 Q. And so the better the auto industry does,  
 18 the better the economy in Detroit; is that correct?

19 MR. STEWART: Objection.

20 THE WITNESS: I don't know about that. The  
 21 better the economy -- the auto industry does, the  
 22 better the entire southeast Michigan region does.  
 23 I would agree with that.

24 BY MR. SMITH:

25 Q. Do you agree that the auto industry has

1 are the most important factors contributing to the  
 2 economic health of Detroit?

3 A. So the economic health as measured by  
 4 what?

5 Q. Well, in your forecast, you used some  
 6 measures of the economy, right?

7 A. So a big driver in our analysis and  
 8 forecast is employment.

9 Q. Okay. So the higher the employment  
 10 levels, the more revenues you project for the City  
 11 all other things being equal?

12 A. Not necessarily. It depends. So all  
 13 other things, employment -- increased employment in  
 14 the city would, everything else being equal,  
 15 improve revenue.

16 Q. The numbers for population that you cite  
 17 in your report on Page 21 on population growth,  
 18 were those just assumptions that you made based on  
 19 your judgment?

20 A. Which numbers?

21 Q. The .2 percent annual population growth,  
 22 no population growth from 2029 to 2033, .2 percent  
 23 population growth from 2034 to 2043, .3 percent  
 24 annual population growth from 2044 until 2053.

25 Were those numbers assumptions based on your

1 judgment?

2 A. So the forecast -- so the 10-year forecast  
 3 we followed the SEMCOG forecast, and then for the  
 4 30-year extrapolation followed SEMCOG up until  
 5 2029. Both us and SEMCOG have in 2029-30 no  
 6 population growth or sort of a leveling. And then  
 7 in going forward, the .2 percent and the .3 percent  
 8 that you mentioned, I did analysis of sort of metro  
 9 areas that had experienced a decade of population  
 10 decline and what growth they had afterwards, and  
 11 that analysis led me to select those two growth  
 12 rates.

13 Q. Does SEMCOG not project population values  
 14 after 2029?

15 A. SEMCOG has a projection until 2050.

16 Q. Why didn't you use the SEMCOG projection  
 17 during the entire forecast period?

18 A. So SEMCOG, they prepared their forecast  
 19 before the bankruptcy, before the reinvestment  
 20 scenarios were put together, and so the 30-year  
 21 extrapolation is off of the -- with the  
 22 reinvestment scenario, and so SEMCOG hadn't taken  
 23 that into account, and so we decided that we needed  
 24 to deviate from it slightly going after 2029.

25 Q. Do you project higher or lower population

1 unlike kind of the old statutory revenue sharing in  
 2 Michigan where there was a way that money was  
 3 supposed to be allocated, EVIP doesn't have that  
 4 sort of formula.

5 Q. Okay. Did you hold the rate of revenue  
 6 sharing constant over time in your forecast?

7 A. Only for the EVIP portion.

8 Q. And we know that the EVIP portion of state  
 9 revenue sharing will not be constant during the 10  
 10 or 40-year period you forecast, correct?

11 A. We don't know that.

12 Q. I mean, if you were sitting here today,  
 13 would your -- has there been any two years when the  
 14 EVIP portion of revenue sharing has been the same?

15 A. EVIP has been around for three years, so  
 16 no, they haven't been the same each year.

17 Q. Okay. We know that the EVIP portion,  
 18 because it's based on a number of factors, is not  
 19 going to be the same each year, correct?

20 A. You're right. It's not probably going to  
 21 be the same each year. I don't know for certain.

22 Q. You've assumed a 2 to 3 percent sales tax  
 23 growth rate. What was that based on?

24 A. Based on what the Michigan Department of  
 25 Treasury forecasts.

1 growth factors than SEMCOG for after 2029?

2 A. So in some years, our growth actually  
 3 matches theirs. Overall, our population forecasts  
 4 are slightly higher than SEMCOG.

5 Q. On Page 22, you have a rate of increase  
 6 for -- of 3.4 percent of taxable value in 2024 and  
 7 2025, and then -- I mean, what's that based on?

8 A. So as we discussed earlier, I use the  
 9 Congressional Budget Office forecasts, and they go  
 10 out 10 years. And so I continued sort of -- looked  
 11 to see what overall is happening with home prices  
 12 and used that to help think through if Detroit, we  
 13 have at the end of our 10-year, picking up and  
 14 rebounding what's a reasonable growth rate in the  
 15 first part of our 30-year extrapolation.

16 Q. Okay. If you go over to Page 24, in the  
 17 middle of the page, you have a statement that  
 18 there's no set formula for EVIP payments for the  
 19 City of Detroit. That's a correct statement,  
 20 correct?

21 A. So what is meant by that is there's no --  
 22 there's no, you know, statutory formula or any  
 23 government formula for what needs to be allocated  
 24 to the City of Detroit. There are components of  
 25 EVIP, things that they are supposed to meet, but

1 Q. Okay. Is the treasury -- do they forecast  
 2 it for years after 2025?

3 A. They do not.

4 Q. Okay. What period of time do they  
 5 forecast it for?

6 A. So the information that I used, you know,  
 7 started with actuals, so it probably started with  
 8 fiscal year 2012, and then it went all the way to  
 9 2025.

10 Q. The -- you know that there's a forecasted  
 11 increase in income tax revenues, correct?

12 MR. STEWART: Objection.

13 THE WITNESS: I don't have the disclosure  
 14 statement in front of me, so I don't know exactly  
 15 what the income tax revenues are for the 10 and  
 16 40-year off the top of my head.

17 BY MR. SMITH:

18 Q. I mean, do you know if they increase -- do  
 19 you know if Ernst & Young is forecasting an  
 20 increase or decrease for income tax revenues over  
 21 10 or 40 years?

22 A. So an increase compared to what? So year  
 23 on year?

24 Q. Compared to 2013. I mean, what's the  
 25 trend in income tax? Do you know if it's

1 increasing or decreasing under the Ernst & Young  
2 forecast?

3 A. So we have income tax -- so I'm going off  
4 memory. We have income taxes falling for a period  
5 and then growing for another period.

6 Q. Okay. And corporate tax, is that similar  
7 that the Ernst & Young forecasts have a growth in  
8 corporate tax?

9 A. I don't want to comment on it based on  
10 memory.

11 Q. Okay. On Page 25, you note that your  
12 10-year forecast includes the legislature-approved  
13 fiscal year 2015 revenue sharing payments for  
14 Detroit. Do you see that? Do you see where I'm  
15 at?

16 A. Yes, I do.

17 Q. Your prior forecasts, you did not use the  
18 fiscal year 2005 revenue sharing payments for  
19 Detroit, correct?

20 MR. STEWART: Do you mean 2015?

21 MR. SMITH: 2015.

22 THE WITNESS: So previous iterations, we always  
23 used what the most recent current law amount was,  
24 so the legislature-approved fiscal year 2015 in the  
25 first week and a half of June. And so in the

1 around there.

2 Q. Okay. And so using your assumption of  
3 current law remaining unchanged led you, in your  
4 prior forecast, to be off by approximately 35 to  
5 \$40 million compared to your current forecast,  
6 correct?

7 A. So using current law, we had planned  
8 for -- so we used current law, which was lower than  
9 the fiscal year 2015 amount.

10 Q. And using -- the assumption of using  
11 current law led you to predict that revenue sharing  
12 would be 35 to \$40 million lower than you're now  
13 predicting, correct?

14 A. So using current law led us to -- so we  
15 can compare what did we predict for 2015 compared  
16 to -- 2015 versus actual. And so using current  
17 law, we were slightly below. We don't know what's  
18 going to happen to EVIP. It could be eliminated  
19 next year, so this is --

20 Q. And it could be increased by 100 percent?

21 A. It could be increased by 100 percent. You  
22 never know, so this is a good way to do it.

23 Q. And my question is but using the  
24 assumption of no change in current law led you to  
25 underestimate state revenue sharing by 35 to

1 latest version, we incorporated fiscal year 2015  
2 once it had been passed.

3 BY MR. SMITH:

4 Q. And did the incorporation of fiscal year  
5 2015 revenue sharing payments materially increase  
6 your forecast for the state revenue sharing?

7 A. What do you mean by materially?

8 Q. Well, do you know how much -- did it  
9 increase it?

10 A. So the EVIP payment to Detroit did go up  
11 between 2014 and 2015.

12 Q. And do you know how much it did?

13 A. It went up by almost 4 million.

14 Q. And then for periods after that, did you  
15 use the 2015 rate?

16 A. We used the higher 2015 amount.

17 Q. And what additional amounts did using the  
18 higher 2015 rate add to your forecast compared to  
19 the last time you did it?

20 A. Somewhere between 35, 40 million.

21 Q. Okay. So incorporating the fiscal year  
22 2015 revenue sharing payment into your forecast  
23 increased revenue sharing by 35 to \$40 million; is  
24 that correct?

25 A. Going off the top of my head, but it's

1 \$40 million in your last projection compared to  
2 this projection, correct?

3 MR. STEWART: Objection.

4 THE WITNESS: I wouldn't say underestimate.  
5 The forecasts differ, and you're right. So using  
6 this new assumption, we are forecasting a higher  
7 state sharing EVIP revenue to Detroit. It remains  
8 to be seen whether that actually happens.

9 BY MR. SMITH:

10 Q. There's no way we know what the actual  
11 revenue sharing numbers are going to be over the  
12 period of your forecast?

13 A. That's right.

14 Q. They could be much higher, or the state  
15 could completely eliminate revenue sharing,  
16 correct?

17 A. They could eliminate EVIP and do something  
18 else or not do anything at all.

19 Q. The state could -- the City of Detroit  
20 could find itself in bankruptcy again within the  
21 next 10 years, correct?

22 MR. STEWART: Objection.

23 THE WITNESS: I have no idea.

24 BY MR. SMITH:

25 Q. Well, if the state eliminates revenue

1 sharing payments, the City could find itself in  
 2 bankruptcy again within the next 10 years, correct?

3 MR. STEWART: Objection.

4 THE WITNESS: I have no idea.

5 BY MR. SMITH:

6 Q. In fact, you have no idea what's going to  
 7 happen to the revenue streams that you measure in  
 8 your forecast. There's too many factors, correct?

9 MR. STEWART: Objection.

10 THE WITNESS: So what we were asked to do was  
 11 using reasonable assumptions, put -- reasonable  
 12 meaning here realistic assumptions, put together a  
 13 10-year forecast and then a 30-year extrapolation  
 14 of that, and that's what we did.

15 BY MR. SMITH:

16 Q. But there's -- your forecast can be  
 17 changed depending on actions by various people in  
 18 either the state government or the City of Detroit  
 19 government, correct?

20 A. So -- so you know, the forecasting  
 21 exercise, as any forecasting entity would tell you,  
 22 you know, you forecast, and your forecasts can't  
 23 really incorporate, you know, whimsical, random,  
 24 whatever changes, large changes year to year, and  
 25 the forecast exercise, you acknowledge that at the

1 city of Detroit over the next 10 years depends on  
 2 the actions of state -- city officials in terms of  
 3 what they do with property tax assessments over the  
 4 next 10 years, correct?

5 A. I would say it's one factor.

6 Q. And so right now you don't even -- nobody  
 7 can know the identity of the officials that are  
 8 going to influence revenues for the City in the  
 9 next 10 years, correct?

10 A. It's possible that elected officials in  
 11 the future that we do not know affect revenues.

12 Q. And it's impossible to know what actions  
 13 officials in the city or state will take over the  
 14 next 10 years that could materially impact the  
 15 revenues to the City of Detroit, correct?

16 A. There are things that can happen that can  
 17 impact the revenue forecasts.

18 Q. And it's impossible to know what those  
 19 things are sitting here today?

20 A. The forecast takes into account what we  
 21 know, and there could be things we don't know.

22 Q. And one of the things we don't know is  
 23 what officials in the state or city will do which  
 24 could have a material impact on the revenues that  
 25 you forecast, correct?

1 get-go. And so you're right. Anything could  
 2 happen.

3 Q. And the revenues received for property  
 4 taxes and state revenue sharing depend on -- in the  
 5 future, the actual revenues depend on actions by  
 6 politically-elected state and city officials,  
 7 correct?

8 A. I don't think I understand the question.

9 Q. Okay. The state revenue sharing depends  
 10 on the -- in the future over the next 10 years  
 11 depends on the action of elected officials in  
 12 setting revenue sharing values, correct?

13 A. So a portion of it depends on the  
 14 legislature.

15 Q. And the largest portion of revenue sharing  
 16 depends on the actions of elected officials,  
 17 correct?

18 A. The largest share for Detroit, not for the  
 19 entire state.

20 Q. And similarly the property tax depends on  
 21 the action of officials in the city of Detroit in  
 22 terms of what they do with assessments over the  
 23 next 10 years, correct?

24 A. Say that again.

25 Q. The actual property tax revenues in the

1 MR. ALBERTS: Objection.

2 THE WITNESS: Future officials could have some  
 3 impact on the revenues. That's a possibility.

4 BY MR. SMITH:

5 Q. I mean, they will have an impact. I mean,  
 6 the state officials set the revenue sharing level  
 7 really, right? We know for a fact that state  
 8 officials are going to impact the revenue available  
 9 to the City, correct?

10 A. We know that the legislature does set the  
 11 amount of EVIP for Detroit.

12 Q. And we know for a fact that city officials  
 13 are in charge of the assessments of property to the  
 14 City, correct?

15 A. City officials set the property assessment  
 16 rolls, yes.

17 Q. So we know as a matter of fact that  
 18 officials from the city and the state will take  
 19 unknown actions in the future that will have  
 20 unknown consequences for the revenues that you  
 21 estimate for the City of Detroit, correct?

22 A. It's possible that city officials, their  
 23 actions in the future affect the forecast.

24 Q. And the same as the state officials,  
 25 correct?

1       A. State officials can affect revenue that  
 2 the City receives.  
 3       MR. STEWART: Should we take a break? It's  
 4 been going about 90 minutes.  
 5       MR. SMITH: Sure.  
 6       THE VIDEOGRAPHER: Off the record. The time is  
 7 3:06 p.m.  
 8                             (Whereupon, a short break was taken.)  
 9       THE VIDEOGRAPHER: We are back on the record.  
 10      The time is 3:14 p.m.  
 11      BY MR. SMITH:  
 12                             (Document marked No. 16)  
 13      Q. Ms. Sallee, I'm going to hand you a copy  
 14 of what's been marked Exhibit 16. Have you seen  
 15 that document before?  
 16      A. What date is this?  
 17      Q. I believe this is the July one, the July  
 18 version of the forecast.  
 19      A. Then yes, I've seen it.  
 20      Q. I just wanted to ask you about there's a  
 21 disclaimer on the front of the document. Are you  
 22 familiar with that?  
 23      A. It's always on there. I don't know if  
 24 I've read every word of it.  
 25      Q. Okay. Well, I'm going to ask you about

1       There will usually be differences between  
 2 forecasted and actual results because events and  
 3 circumstances frequently do not occur as expected  
 4 and those differences may be material.  
 5       A. I would agree with that statement.  
 6       Q. Do you agree that EY -- Ernst & Young  
 7 takes no responsibility for the achievement of  
 8 forecasted results?  
 9       A. I think that's correct.  
 10      Q. Do you agree that accordingly, reliance on  
 11 this report is prohibited by any third party as the  
 12 projected financial information contained herein is  
 13 subject to material change and may not reflect  
 14 actual results?  
 15      A. I'm okay with that.  
 16      Q. I'm going to hand you -- well, you agree  
 17 with that statement? When you say you're okay with  
 18 that, you agree with it?  
 19      A. Well, I guess as an EY employee, I'm  
 20 agreeing with this.  
 21      Q. Okay. And those statements go -- I mean,  
 22 those are put together by experts at Ernst & Young;  
 23 is that correct?  
 24      MR. STEWART: Objection.  
 25      THE WITNESS: I didn't write this.

1       it, so --  
 2      A. Okay. Let me read it then. Okay.  
 3      Q. Do you agree with all the statements in  
 4 the disclaimer that's on Exhibit 16 in front of  
 5 you?  
 6      A. Well, I don't know if I can agree to  
 7 everything because some of it I don't know, say,  
 8 what the attestation standards are.  
 9      Q. Okay. You don't know what the attestation  
 10 standards established by the AICPA are, correct?  
 11     A. I don't know what they are, no.  
 12     Q. Okay. With respect to your projections,  
 13 would it be fair to say that you express no  
 14 assurance of any kind on the information presented?  
 15     A. I do not. That would be true.  
 16     Q. And then the next sentence, let me know if  
 17 you agree with it. It is the client's  
 18 responsibility to make its own decision based on  
 19 the information available to it. Management has  
 20 the knowledge, experience and ability to form its  
 21 own conclusions relating to the client's 10-year  
 22 financial projections.  
 23       Do you agree with those statements?  
 24     A. I'm okay with the statements.  
 25     Q. Do you agree with the next statement?

1      BY MR. SMITH:  
 2      Q. Okay.  
 3      A. I don't know who wrote it. I don't know  
 4 who wrote it.  
 5                             (Document marked No. 17)  
 6      Q. Why don't I hand you what's been marked as Exhibit  
 7 17. Let me know if you've seen this document before.  
 8      A. I have not seen this.  
 9      Q. Okay. Do you see that it's the disclosure  
 10 statement by the City, its fourth-amended  
 11 disclosure statement?  
 12     A. Where does say that?  
 13     Q. On the front page. The title there in the  
 14 middle, it says --  
 15     A. Fourth-amended, oh, I see. Okay.  
 16     Q. I just want to identify the document for  
 17 you.  
 18     A. Great.  
 19     Q. You haven't done anything to, obviously,  
 20 go through the disclosure statement and ensure that  
 21 the statements in there are consistent with the  
 22 assumptions in your projections, correct?  
 23     A. What's the date on the fourth disclosure?  
 24     Q. May 5, 2014 it was filed with the court.  
 25     A. Okay. I have not read through this

1 disclosure statement.  
 2 Q. Okay. So you haven't done an analysis to  
 3 go through the fourth-amended disclosure statement  
 4 to make sure that all of your assumptions are  
 5 consistent with the disclosure statement, correct?  
 6 A. So we provided forecasts that were  
 7 included in the previous version, and we hadn't  
 8 made any changes in this version. So I had gone  
 9 through the previous disclosure statement to make  
 10 sure our numbers were accurate. I have not gone  
 11 through this one.  
 12 Q. Okay. Have you actually read the text of  
 13 any of the disclosure statements?  
 14 A. I have.  
 15 Q. Okay. Then I'd like to direct you to  
 16 Page 97 of 197. It's down in the -- the pagination  
 17 is down in the right-hand corner --  
 18 A. Oh, I see.  
 19 Q. -- that I'm going to refer to.  
 20 A. Okay. So Page 97.  
 21 Q. 97 of 197.  
 22 A. Okay.  
 23 Q. Do you see the section failure to achieve  
 24 projected financial performance?  
 25 A. Okay.

1 Q. The next section, unforeseen financial  
 2 circumstances affecting the City's future financial  
 3 performance, do you see that, that section?  
 4 A. Okay.  
 5 Q. The disclosure statement says the plan and  
 6 projections underlying the plan are based on  
 7 certain assumptions about the City's future  
 8 financial performance. Unforeseen events and  
 9 circumstances may occur affecting the City's future  
 10 financial performance resulting in those  
 11 assumptions proving inaccurate and the City being  
 12 unable to fulfill its obligations under the plan.  
 13 Do you agree with that statement as it  
 14 relates to your projections?  
 15 MR. STEWART: Objection.  
 16 THE WITNESS: So in this case, I mean, so it's  
 17 talking about the entire plan. So you know, we did  
 18 revenue forecasts. And as you've -- this language  
 19 and other language has pointed out, there can be  
 20 unforeseen events and circumstances that can affect  
 21 them, and we don't know what they are.  
 22 BY MR. SMITH:  
 23 Q. And so do you agree with that statement as  
 24 it relates to your projections?  
 25 A. In that sense, the City being unable to

1 Q. The disclosure statement says the  
 2 projections are dependent upon the successful  
 3 implementation of the City's budget and the  
 4 reliability of other estimates and assumptions  
 5 accompanying the projections.  
 6 Do you agree with that statement as it  
 7 relates to your projections that you've made?  
 8 A. I guess I don't have an opinion about this  
 9 sentence.  
 10 Q. Okay. The next page at the top of the  
 11 page --  
 12 MR. STEWART: What language?  
 13 MR. SMITH: I'm waiting for the witness.  
 14 BY MR. SMITH:  
 15 Q. The next page, are you on the next page,  
 16 Ms. Sallee?  
 17 A. I am not yet. Hold on. Okay.  
 18 Q. The top of the page, it says these  
 19 estimates and assumptions may not be realized and  
 20 are inherently subject to significant economic  
 21 uncertainties and contingencies, many of which are  
 22 beyond the City's control.  
 23 Do you agree with that statement as it  
 24 relates to your projections?  
 25 A. I would agree with the statement.

1 fulfill its obligations, that seems a little kind  
 2 of not as applicable to the stuff that I did, but  
 3 unforeseen events and circumstances may occur  
 4 affecting the City's, say, future revenue  
 5 collections, that applies.  
 6 Q. Okay. So you agree that there are  
 7 unforeseen circumstances and events that may occur  
 8 that affect the City's future tax revenues and  
 9 revenue sharing payments?  
 10 A. Yes, I agree with that.  
 11 Q. And then the last sentence, no guarantee  
 12 can be made as to the City's future financial  
 13 performance due to a variety of unforeseeable  
 14 circumstances that may affect such performance. Do you  
 15 agree with that statement as it relates to your projections?  
 16 A. I agree you cannot make a guarantee on the  
 17 revenue forecasts that I've made.  
 18 (Document marked No. 18)  
 19 Q. I'm going to hand you what I've marked as  
 20 Exhibit 18, which is some of the spreadsheets from  
 21 the projections relating to your work. Starting  
 22 with fiscal year 2015 and going to 2023, can you  
 23 tell me how you forecast the percent changes in the  
 24 assessed value of real property?  
 25 A. So this is not my spreadsheet, so this is

1 prepared based on the analysis I provided.  
 2 Q. Okay. I'm just wondering how did you --  
 3 did you forecast the real property, personal  
 4 property and Renaissance Zone numbers that are  
 5 contained in this spreadsheet?  
 6 MR. STEWART: What exhibit number is this one?  
 7 MR. SMITH: It's 18.  
 8 THE WITNESS: So here this says change in  
 9 assessed values, but it should be change in taxable  
 10 value because these are -- so you see values, and  
 11 these are taxable values, and these look like  
 12 they're my numbers, yes.  
 13 BY MR. SMITH:  
 14 Q. Okay. Are the values that are under the  
 15 heading change in assessed values your numbers?  
 16 A. They are not how I prepared it. They've  
 17 calculated those based on the taxable values, and I  
 18 put together the taxable values that are shown  
 19 here.  
 20 Q. Okay. So the numbers that are in this  
 21 spreadsheet are your numbers, but they're really  
 22 taxable values and not assessed values; is that  
 23 correct?  
 24 A. They're taxable values, yes.  
 25 Q. So somebody made an error in putting

1 picked based on your judgment for the growth rate,  
 2 correct?  
 3 A. After doing analysis, I selected growth  
 4 rates for each of the tax bases, and I had to use  
 5 my judgment to select those growth rates.  
 6 Q. And when you said you did analysis, you  
 7 didn't calculate any of those growth rates, did  
 8 you?  
 9 A. What do you mean by calculate?  
 10 Q. You didn't calculate any of the growth  
 11 rates using a mathematical formula, correct?  
 12 A. Well, all of the analysis requires some  
 13 sort of mathematical formula.  
 14 Q. But those growth rates that appear in the  
 15 spreadsheet, those aren't generated by a  
 16 mathematical formula, correct?  
 17 A. I guess it depends on mathematical  
 18 formula. I mean, so math is used in the analysis.  
 19 Q. But you didn't -- the numbers that are  
 20 chosen for the growth rate are selected numbers.  
 21 They're not numbers that are calculated using a  
 22 mathematical formula, correct?  
 23 MR. STEWART: Objection.  
 24 THE WITNESS: Ultimately all of the numbers,  
 25 the growth rates, I had to select.

1 together the description of this data in this  
 2 spreadsheet, correct?  
 3 A. They labeled the change in values in a way  
 4 that I wouldn't have labeled it.  
 5 Q. They labeled it in an inaccurate way,  
 6 correct?  
 7 A. I would have used a different label.  
 8 Q. The taxable values shown here, they change  
 9 from year to year, correct?  
 10 A. Taxable values change from year to year,  
 11 yes.  
 12 Q. And can you tell me are all those changes  
 13 numbers you picked based on your judgment?  
 14 A. So as we talked about, to come to these  
 15 total taxable value numbers for each year, I did  
 16 analysis for each tax base and selected the growth  
 17 rates, and that modeling feeds into those total  
 18 values.  
 19 Q. And the growth rates, all these growth  
 20 rates vary in each year. Those were numbers you  
 21 picked based on your judgment, correct?  
 22 A. After doing analysis, I selected certain  
 23 growth rates, and I used my judgment, yes.  
 24 Q. So all these different numbers for each  
 25 year and each category of property are numbers you

1 BY MR. SMITH:  
 2 Q. If we look at the General Fund collection  
 3 rates, do you see where that is on this spreadsheet  
 4 down kind of towards the bottom?  
 5 A. I do.  
 6 Q. Did you select the General Fund collection  
 7 rates that vary from year to year for your  
 8 analysis?  
 9 A. So those were built up, as we discussed  
 10 earlier, by looking at the non-delinquent  
 11 collection rates by each type of property and then  
 12 also the payments from Wayne County. And so for  
 13 historical years, I was able to see what the total  
 14 collection rate was and then going forward had to  
 15 decide what that collection rate would be, so I had  
 16 to use my judgment to ultimately select the  
 17 collection rate going forward.  
 18 Q. Okay. So for future years, 2015 going  
 19 forward, you selected the collection rates for the  
 20 various categories based on your judgment, correct?  
 21 A. Based on my analysis of the different  
 22 components and how they were being collected, I did  
 23 use my judgment to select those rates.  
 24 Q. But the collection rates you used are  
 25 numbers you selected, and they're not numbers that

1 were generated by a calculation from a mathematical  
2 formula, correct?

3 MR. STEWART: Objection.

4 THE WITNESS: Well, again, math is involved, so  
5 for this, if you -- you know, in the model, I've  
6 gone through and said what are the collection rates  
7 by different types of property based on data that  
8 the City provided, and I had to make an assumption  
9 about what that would look like during the forecast  
10 period. And then math is used then to get to the  
11 numbers that are here. At the end of the day, I  
12 had to select information that generates this  
13 number.

14 BY MR. SMITH:

15 Q. All of the collection rates are selected  
16 numbers that are based on your assumption regarding  
17 what the collection rates will be in the future,  
18 correct?

19 MR. STEWART: Objection.

20 THE WITNESS: So the collection rates here are  
21 a product of my analysis and my judgment.

22 BY MR. SMITH:

23 Q. Okay. But they're not -- but the  
24 collection rates aren't rates that are calculated  
25 for each year based on a mathematical formula where

1 Q. Okay. And my only point is the numbers  
2 that were generated each year for collection rates  
3 were not generated by a mathematical formula. They  
4 were based on your selection using your judgment,  
5 correct?

6 MR. STEWART: Objection. What is this, the  
7 sixth time you've asked this now? I mean, it's  
8 getting late. How many times are you going to ask  
9 this question? She's answered it six times. Is  
10 your answer any different than any answer you've  
11 given before to that question?

12 MR. SMITH: Listen, stop coaching the witness.

13 MR. STEWART: It's not coaching at all.

14 MR. SMITH: You're engaged in speaking  
15 objections. What's the basis you have for making a  
16 speaking objection?

17 MR. STEWART: Because you've harassed the  
18 witness by asking the same question over and over,  
19 which is improper.

20 MR. SMITH: Well, the video will show the  
21 witness is smiling right now.

22 MR. STEWART: The video is going to show -- the  
23 video is going to show this abusiveness. You're  
24 arguing with the witness, and you ask the same  
25 question again and again and again and again. And

1 you plug in which year it is and then out pops a  
2 number for the collection rate, correct?

3 MR. STEWART: Objection.

4 THE WITNESS: Well, so all of these collection  
5 rates that are shown here, these were -- the  
6 various assumptions that build up to this were  
7 adjusted, and so in some sense, I guess they were  
8 calculated.

9 BY MR. SMITH:

10 Q. They were selected numbers, correct?

11 MR. STEWART: Objection.

12 BY MR. SMITH:

13 Q. That were selected after you made  
14 adjustments based on your judgment, correct?

15 A. Well, I don't know what you mean by  
16 adjustments.

17 Q. Well, you just mentioned that you were  
18 making adjustments to the numbers over time, right?

19 A. Well, I said I had to make certain  
20 assumptions about what the different types of  
21 property, what the collection was going to be on  
22 non-delinquent and then what did the net revolving  
23 fund payments from Wayne County have to be. So  
24 they're a selection of those inputs, and then that  
25 informed the number that you see here.

1 it's abusive, and it's improper. Now, she's going  
2 to answer it one last time. Then I'm going to  
3 instruct her after that because you've asked it how  
4 many times now?

5 MR. SMITH: Once.

6 MR. STEWART: No. That's what the video is  
7 going to show. Let's have it asked the sixth time,  
8 given the answer for the sixth time, and then we're  
9 going to move on. So let's reread the question.

10 BY MR. SMITH:

11 Q. I'll just ask it so we don't have to worry  
12 about finding it.

13 A. Okay.

14 Q. The collection rates are selected numbers.  
15 They're not calculated for each year using a  
16 mathematical formula, correct?

17 A. No. I mean, there are -- there is a  
18 calculation that underpins these numbers, and so I  
19 had to select inputs that -- this is true. I had  
20 to select inputs that feed into this, and then they  
21 were calculated.

22 Q. What's the mathematical formula that you  
23 used to calculate the collection rates for each  
24 year?

25 A. What kind of information or detail are you

1 looking for?

2 Q. Well, you're just said they're calculated  
3 numbers. I want to know the mathematical formula.  
4 What did you add up or multiply to get to the  
5 collection rate for each year?

6 A. So each of our tax bases, residential,  
7 commercial, industrial, and there's real and  
8 personal property, and then there's utility  
9 personal property. So for each of those different  
10 tax bases, you have taxable value, and then you  
11 have -- you multiply that by the tax rate, and you  
12 get the tax levy.

13 And then you have to say well, what  
14 percent is going to be collected on time for each  
15 of the tax bases. So the formula is assign a  
16 collection rate for each tax base and multiply the  
17 collection rate times the tax levy and then add  
18 those and then add in the net -- add in the Wayne  
19 County net revolving fund payments, and then you  
20 add that in. And then --

21 Q. I'm not asking --

22 MR. STEWART: Don't interrupt her answer.  
23 BY MR. SMITH:

24 Q. I'm not asking for a calculation of the  
25 property tax revenue.

1 rates for each of the tax bases, and then this is  
2 the output of that same calculation I described a  
3 minute ago.

4 Q. So can you tell me why the collection rate  
5 is 87 percent for, it looks like, 2020, 2021, 2022,  
6 2023?

7 A. So again, here, important sort of point  
8 with forecasts is when the reappraisal study we  
9 have hitting the tax bills, and that's in fiscal  
10 year 2020, calendar year I guess 2019, and in this  
11 case, just like in the other forecast, there's an  
12 improvement to the collection rate, and it's being  
13 driven where certain people who weren't paying  
14 their property taxes decide to start paying them,  
15 and in here, looking at the higher percentage of  
16 residential taxpayers start to pay their property  
17 taxes.

18 Q. The improvement in collections you assumed  
19 in the reinvestment scenario is not based on any  
20 study or data, correct?

21 A. The improvement in residential tax  
22 collections after the appraisal is what you're  
23 asking?

24 Q. Yeah. It's not based on any study or  
25 data, correct?

1 MR. STEWART: Finish your answer. He's not  
2 allowed to interrupt you.

3 THE WITNESS: So you have tax revenue, and if  
4 you divide tax revenue by total tax levy, that  
5 gives you the collection rate that's shown here.  
6 That's the mathematical formula.

7 BY MR. SMITH:

8 Q. Who prepared this spreadsheet, do you  
9 know?

10 A. I'm not certain who did this one.

11 Q. With the reinvestment scenario, the  
12 collection rates that you used there, those were  
13 not calculated values. It looks like they're all  
14 the same; is that correct? They differ some,  
15 but --

16 A. They do differ, so General City with the  
17 reinvestment scenario, the collection rate is  
18 higher than the without.

19 Q. And the values you used for collection  
20 rates in the with reinvestment scenario were not  
21 calculated values. They're numbers you selected,  
22 correct?

23 A. They're calculated values in the same way  
24 that the other ones were where in this case, I  
25 modified the individual non-delinquent collection

1 A. So I had conversations with the City to  
2 help think about what might be realistic around it.

3 Q. And nobody from the City provided you any  
4 study or data supporting the improvement in the  
5 collection rate you assume for the reinvestment  
6 scenario, correct?

7 (Document marked No. 19)

8 A. Nobody provided any study or data to me.

9 Q. Let me hand you what's being marked as  
10 Exhibit 2 or Exhibit 19 rather. This is another  
11 spreadsheet. Let me know if you recognize this one.

12 A. Yeah.

13 Q. Do you know who prepared this spreadsheet?

14 A. It looks like mine.

15 Q. Do you know when you prepared that  
16 spreadsheet?

17 A. I don't know when this was from.

18 Q. What was the purpose of the spreadsheet?

19 A. I pulled historical taxable value, state  
20 equalized value information for the City of Detroit  
21 and the State of Michigan.

22 Q. And halfway down the page, there's a line,  
23 Case-Shiller change. Do you see that?

24 A. I do.

25 Q. What's the -- why did you consider it

1 useful to look at the history of the Case-Shiller  
 2 Index?

3 A. So the Case-Shiller Index shows what is  
 4 happening in the housing market for home sales, and  
 5 so I wanted to see what trends the Case-Shiller  
 6 Index was -- was showing and compare it to  
 7 residential state equalized value and taxable  
 8 value.

9 Q. And why did you want to do that?

10 A. I wanted to see if -- I wanted to see how  
 11 similar or dissimilar they were.

12 Q. And were they similar or dissimilar?

13 A. They do not match.

14 Q. Which ones are higher, or how don't they  
 15 match?

16 A. So if you look at the state equalized  
 17 value in Detroit, the growth rates that are  
 18 positive in certain years are higher than the  
 19 Case-Shiller Index in most years and -- well, not  
 20 every year, I guess, so for some of them. And then  
 21 the Case-Shiller Index is more negative in some  
 22 years, less negative in others, so they're  
 23 different.

24 Q. In 2012, you have a 4 percent increase for  
 25 the Case-Shiller Index. Do you see that?

1 A. I would have to go check my formula. I  
 2 don't know.

3 Q. Okay.

4 A. I mean, I could --

5 Q. Why were you calculating those numbers?

6 A. I'm guessing I -- so throughout the  
 7 analysis, I wanted to see what was happening to  
 8 state equalized value in Detroit, so I calculated  
 9 multiple percentage changes for various times.

10 Q. Why did you want to know what was  
 11 happening with state equalized value in Detroit?

12 A. So state equalized value in Detroit is  
 13 equal to the assessed values, and as we've talked  
 14 about, I wanted to see if the change in assessed  
 15 values, how it was mimicking what was happening in  
 16 the market, so I would calculate to see what change  
 17 was happening to assessed values and compare it to  
 18 market trends.

19 Q. Okay. And did you find that assessed  
 20 values generally did not track market trends or  
 21 that they did track market trends?

22 A. So what you'll see, and this is  
 23 well-known, is that assessed values lag the market,  
 24 so it takes a couple years for either direction for  
 25 assessments to follow the market.

1 A. I do.

2 Q. Did you ever update any of the numbers in  
 3 this spreadsheet beyond 2012?

4 A. Yes, I did.

5 Q. Did you prepare another spreadsheet that's  
 6 more up-to-date than this one or not?

7 A. I have 2013 data in the spreadsheet now,  
 8 and as we talked about, I pulled -- I did look at  
 9 Case-Shiller information part of it for 2014.

10 Q. And Case-Shiller continues to increase in  
 11 2013 and 2014, correct?

12 A. That's right.

13 Q. And the four numbers that are in the  
 14 rightmost column, those percentages, what are  
 15 those?

16 A. I don't know. I mean, I calculated some  
 17 percentage change. I don't know what years,  
 18 though.

19 Q. I mean, what were you trying to calculate  
 20 there? What are the percentage changes  
 21 representing?

22 A. So I was looking at the change in state  
 23 equalized value during some period.

24 Q. Okay. Are all four of those numbers  
 25 changes in state equalized value?

1 Q. So if housing prices are increasing  
 2 currently, you would expect that a few years in the  
 3 future assessed values would increase, correct?

4 A. Other things equal, if the home prices are  
 5 going up, you would -- you would -- in a normal  
 6 market, you would expect assessments to go up. It  
 7 depends on where -- for each house how it's being  
 8 assessed whether the market is above or below the  
 9 assessment. It really depends on --

10 Q. But in aggregate --

11 MR. STEWART: Did you finish your answer,  
 12 Ms. Sallee?

13 THE WITNESS: I did. Thank you.

14 BY MR. SMITH:

15 Q. In aggregate, if the home price index like  
 16 the Case-Shiller Index is increasing, you would  
 17 expect that within a few years, that would be  
 18 reflected in assessed values, and assessed values  
 19 would increase, correct?

20 MR. ALBERTS: Objection.

21 THE WITNESS: The problem why I don't want to  
 22 say yes to that is that Detroit is in this period  
 23 where they're reducing assessments, so even though  
 24 you could -- even though you're seeing this  
 25 positive increase in home prices, if you have a

1 house that's overassessed, you could have the  
 2 situation where you're seeing this trend in the  
 3 home prices and yet, the assessment on the house is  
 4 lowered. So I don't want to say -- Detroit is an  
 5 unusual situation for --

6 BY MR. SMITH:

7 Q. Historic --

8 MR. STEWART: Did you finish your answer?

9 THE WITNESS: I didn't. So where home prices  
 10 have collapsed in such a way that you're seeing  
 11 this unusual situation that really the system isn't  
 12 designed to deal with.

13 BY MR. SMITH:

14 Q. Typically after an increase in -- how many  
 15 years does it take for an increase in home prices  
 16 to result in an increase in assessed values?

17 A. For Detroit, I don't know.

18 Q. Did you look at that at all?

19 A. What do you mean by did I look at it?

20 Q. In the data, did you look at how long it  
 21 takes for an increase in home prices to translate  
 22 into an increase in assessed values?

23 A. So there are general trends that can be  
 24 observed. So you can see during the 2000s where  
 25 you can see the market will pick back up, and it

1 Exhibit 20. It's another spreadsheet, and you can  
 2 tell me if you created this spreadsheet. Is that  
 3 something that you created?

4 A. Yes.

5 Q. And why did you prepare that spreadsheet?  
 6 A. I wanted to see what was happening in the  
 7 city of Detroit with existing home sales.

8 Q. And there's been -- for the most recent  
 9 period, you looked at, was there a 28.03 percent  
 10 year-to-year change increase in home sales?

11 A. So the spreadsheet has a 28.03 percent  
 12 increase.

13 Q. And did you ever update this with more  
 14 recent data?

15 A. I did.

16 Q. And has the increase gone up, or do you  
 17 know what the magnitude of the most recent data  
 18 shows the increase is?

19 A. Off the top of my head, I can't tell you.

20 Q. Okay. You're not -- I mean, is it  
 21 basically comparable to what the data in this  
 22 spreadsheet is?

23 A. I don't remember.

24 Q. And this is the Detroit realtors data that  
 25 you relied on for your analysis that shows the

1 usually takes, you know, two to three years before  
 2 that's fully incorporated in assessments. And  
 3 that's in a non -- you know, that's in sort of a  
 4 kind of normal -- I hate to say normal, but that's  
 5 not -- you know, the Detroit situation is kind of  
 6 unique, and so I hate to say anything about Detroit  
 7 right now because it doesn't mimic what's happened  
 8 perfectly in the past.

9 Q. But you've used assessed -- you've looked  
 10 at the data for assessed values in Detroit, correct?

11 A. That's right.

12 Q. And you looked at the Case-Shiller and  
 13 other housing price indices for Detroit, correct?

14 A. I have.

15 Q. And based on your review, when there's an  
 16 increase in the housing price index, how long does  
 17 it take to show up in the assessed values for the  
 18 data in Detroit that you've looked at?

19 MR. STEWART: Objection.

20 THE WITNESS: You know, as I said, typically I  
 21 would say a couple years, and I don't know if  
 22 that's -- I'll just say typically a couple years.

23 BY MR. SMITH:

24 (Document marked No. 20)

25 Q. Let me hand you what I've marked as

1 28.03 percent increase in home sales; is that  
 2 correct?

3 MR. STEWART: Objection.

4 THE WITNESS: So the 28.03 is the change in  
 5 average price of existing home sales, and this is  
 6 the same type of data that I updated and used in my  
 7 analysis.

8 BY MR. SMITH:

9 Q. Okay. And you said -- it says on this  
 10 spreadsheet used existing home sales to forecast  
 11 home prices and estimate uncapped TV. Did you, in  
 12 fact, do that in forecasting property tax revenue?

13 A. So one of the analyses that I did was to  
 14 think about the uncapping of taxable value on homes  
 15 sell, and so that exercise that I mentioned before  
 16 was looking at what would the taxable value --  
 17 likely the capped value be for homes that were  
 18 purchased five, 10, 15 years ago in Detroit and  
 19 what the taxable value would be if those homes sold  
 20 today. And so I used this data to help do that  
 21 simulation and that exercise, and that informed my  
 22 residential taxable value -- part of the  
 23 residential taxable value growth rate.

24 Q. Okay. And did you -- how did you take  
 25 numbers from this spreadsheet, if at all, to do

1 that?  
 2 A. So this information was combined with some  
 3 other information, and the average price was used  
 4 to -- so the average price and the number of sales,  
 5 those two pieces of information were used to model,  
 6 you know, in a given year what a home purchased so  
 7 many -- like, I said five, 10, 15 years ago what  
 8 was the average price of homes sold during those  
 9 periods, what would be then grown at the rate of  
 10 inflation, what would be their taxable value and  
 11 then looking at today, what is the average price of  
 12 homes being sold in Detroit, and then what's the  
 13 difference in taxable value when the home sells.  
 14 Q. Okay. If you look at the average price in  
 15 2006, it was 61,444, and it dropped to 16,068 in  
 16 2011. Do you see that?

17 A. Yes.

18 Q. What factors explain that drop in average  
 19 housing during that time period?

20 A. Specifically, I mean, Detroit, like the  
 21 rest of the U.S. was in a recession, and so as  
 22 you -- I can't tell you exactly why homes fell, but  
 23 you have sort of a poor economy. You have higher  
 24 unemployment, and you have all those things that  
 25 lead to people not buying homes.

1 Do you see that?  
 2 A. I do.  
 3 Q. Did you write that?  
 4 A. I think this is mine, yes.  
 5 Q. Why were you thinking about losses to  
 6 taxable base?  
 7 A. So one of the -- the formula for  
 8 calculating taxable value on a home is you have  
 9 their taxable value from the previous year, and you  
 10 do any additions to the base, losses to the base,  
 11 and then you would multiple it by the rate of  
 12 inflation or 5 percent, whichever is less. And so  
 13 part of residential taxable value is what are their  
 14 new additions, what we talked about earlier, or  
 15 losses. And so this was -- so being part of a  
 16 residential tax base, I thought about it.  
 17 Q. Did you think about -- what are the  
 18 factors that would lead to gains in the taxable  
 19 base?  
 20 A. So if you put an addition on your house,  
 21 that would be an addition to the tax base. A new  
 22 house being built would be an addition to the tax  
 23 base.  
 24 Q. And where did you -- did you ever look  
 25 into the data on those types of additions to the

1 Q. Do you think it's reasonable to expect  
 2 that the owner of a home worth 64 or 61,000 in 2006  
 3 would sell it for 16,000 five years later?

4 MR. STEWART: Objection.

5 THE WITNESS: I would be speculating to answer  
 6 that.

7 BY MR. SMITH:

8 Q. I mean, the fact of the matter is people  
 9 hold onto their houses if the market price  
 10 declines, right?

11 MR. STEWART: Objection.

12 THE WITNESS: I don't know. Some sell. Some  
 13 don't.

14 BY MR. SMITH:

15 Q. You haven't investigated the extent which  
 16 people held onto their houses in Detroit during the  
 17 periods of decline in prices?

18 A. So the only data that I look at is sales,  
 19 and you see -- you see sales in certain years  
 20 higher than others, but you know, 2010, 2011, the  
 21 number of transactions looking fairly similar to  
 22 non-recession years, so that's the only piece of  
 23 information I looked at.

24 Q. And at the bottom, you say -- you have a  
 25 reference thinking about losses to taxable base.

1 taxable base?  
 2 A. So I looked at the building permit data.  
 3 Q. So the increase in building permit data  
 4 that we saw before would show an increase to the  
 5 taxable base or be indicative of one?  
 6 A. So I used the permit data to help me think  
 7 about additions to the tax base, and I'll stop  
 8 there.  
 9 Q. How did you use that to think about  
 10 additions to the tax base?  
 11 A. So I pulled the construction costs in  
 12 Wayne County, and then I apportioned the  
 13 construction to Wayne County based on its share of  
 14 taxable value and looked to see then that -- that  
 15 would be a growth in the residential tax base of  
 16 1 percent, which would be a half percent in taxable  
 17 value. When I say tax base, I meant to say it  
 18 would be a growth of -- well, so the market value  
 19 would be a growth equal to 1 percent. The taxable  
 20 value would be half a percent, so that helped me  
 21 think about well, what new construction activity is  
 22 happening and what addition to the tax base helped  
 23 me think through my growth rate.  
 24 Q. You have an assumed reduction in  
 25 population in 2013 compared to 2012 and the effect

1 on residential taxable value. Do you see that? In  
 2 that spreadsheet, there's a couple lines on that.  
 3 A. Yeah.  
 4 Q. And you do a calculation there?  
 5 A. Uh-huh.  
 6 Q. And the calculation assumes that there's a  
 7 linear relationship between population decline and  
 8 residential taxable value; is that correct?  
 9 A. In this analysis, yes.  
 10 Q. And is that a reasonable assumption in  
   your view?  
 11 A. So is that a reasonable assumption? For  
 12 doing -- you know, doing multiple analyses, that  
 13 being one of the assumptions for analysis is, I  
 14 think, fine.  
 15 Q. Did you do any testing of your assumption  
 16 of a linear relationship between population decline  
 17 and taxable value?  
 18 A. I did not do any testing of that assumption.  
 19 Q. How did you get the population estimates  
 20 that were there on this spreadsheet?  
 21 A. They should be census numbers.  
 22 (Document marked No. 21)  
 23 Q. Okay. I'm going to hand you what's been  
 24 marked as Exhibit 21. You let me know if this is a

1 revenue, this didn't have really any effect.  
 2 Q. Okay. Are the notes on the side  
 3 assumptions that you are making in your analysis?  
 4 A. Yes. I mean, this has all been replaced  
 5 once I got actual data.  
 6 (Document marked No. 22)  
 7 Q. Okay. Exhibit No. 22, another spreadsheet  
 8 I'm wondering if you prepared.  
 9 A. Yeah, that looks like me.  
 10 MR. STEWART: I haven't had a chance to see it yet.  
 11 BY MR. SMITH:  
 12 Q. And why did you prepare --  
 13 MR. STEWART: Hold on. Just a second. I just  
 14 got this. Don't answer any questions until I've  
 15 had a chance to see it. Okay. Sorry. Go ahead.  
 16 BY MR. SMITH:  
 17 Q. Why did you prepare this?  
 18 A. It's the building permit data we talked  
 19 about earlier.  
 20 Q. Okay. So this is a mechanism of  
 21 estimating gains to the property tax base?  
 22 A. So I used this to help think about the  
 23 residential property additions and helping me think  
 24 about the growth rate for residential property.  
 25 Q. Did you update this spreadsheet with data

1 spreadsheet that you prepared.  
 2 A. Yeah.  
 3 Q. And why was this spreadsheet prepared?  
 4 A. So before the City provided a breakdown of  
 5 Renaissance Zone property by type of property, I  
 6 took the information I had about the total  
 7 Renaissance Zone property and the non-Renaissance  
 8 property by property type, and I used that  
 9 information to make certain assumptions and come up  
 10 with an estimate of Renaissance Zone property by  
 11 property type.  
 12 Q. And did you end up -- did these -- did  
 13 this spreadsheet end up influencing your property  
 14 tax value? I mean your property tax forecast.  
 15 A. So earlier iterations used some of this  
 16 analysis, and ultimately the taxable value subject  
 17 to general operating didn't change. And so  
 18 property tax revenue -- well, for the first year.  
 19 So this helped me think about the non-Renaissance  
 20 Zone tax bases, and then I used some growth rates.  
 21 But at the end of the day, I had the total  
 22 Renaissance Zone property amount, which was  
 23 subtracted from the total taxable value.  
 24 So what's subject to general operating  
 25 didn't change. So in terms of property tax

1 for 2013 and 2014?  
 2 A. I did update the spreadsheet, yes.  
 3 Q. And did the data show that permits and  
 4 construction amounts continued to increase?  
 5 A. It did.  
 6 Q. And for 2012, there's a 41.2 percent  
 7 increase for single family. Is that construction  
 8 cost?  
 9 A. Yes.  
 10 Q. And then for -- there's a 40.5 percent  
 11 increase for total buildings construction costs for  
 12 2012, correct?  
 13 A. Correct.  
 14 Q. Would it be fair to say there's a  
 15 significant increase in construction in Wayne  
 16 County based on the data that you've analyzed?  
 17 MR. STEWART: Objection.  
 18 THE WITNESS: There is an increase in Wayne  
 19 County based on this data.  
 20 BY MR. SMITH:  
 21 Q. Why do you think there is an increase in  
 22 the -- in construction in Wayne County in the last  
 23 few years?  
 24 A. I don't know. I'd have to speculate.  
 25 Q. Well, you haven't investigated into the

1 reasons that there's increased construction activity?  
 2 A. So I haven't looked into the construction  
 3 activity in Wayne County as a whole. I haven't  
 4 been charged to do that, so no.  
 5 Q. Did you ask anybody at the City about new  
 6 construction in the city of Detroit?  
 7 A. No.  
 8 Q. So you didn't investigate to find out  
 9 whether construction is increasing in the city in  
 10 recent years, correct?  
 11 A. I did not ask the City if construction had  
 12 been increasing.  
 13 Q. You didn't ask the City for information  
 14 about how many permits the City had been issuing  
 15 for new construction?  
 16 A. I did not receive that data, no.  
 17 (Document marked No. 23)  
 18 Q. I'm going to hand you Exhibit No. 23. Let  
 19 me know if this is a spreadsheet that you created.  
 20 A. Yes.  
 21 Q. Why did you create that spreadsheet?  
 22 A. It's the Case-Shiller Index.  
 23 Q. And did that Case-Shiller Index data  
 24 influence your property tax revenue forecast?  
 25 A. I don't know what you mean by influence.

1 no taxes will ever be collected from the owner or  
 2 subsequent owners of that property?  
 3 A. Are you referencing something here?  
 4 Q. No. I'm just asking you a question. I'm  
 5 done with that document for now.  
 6 A. Okay. Can you say your question one more  
 7 time?  
 8 Q. If the owner of a property is for some  
 9 period of time delinquent in paying taxes, does  
 10 that mean that no taxes will ever again be  
 11 collected from that owner or subsequent owners of  
 12 the property?  
 13 A. If you're delinquent for some time, that  
 14 doesn't necessarily mean that you'll never have  
 15 taxes on that property or from that owner.  
 16 Q. Do you agree that it's more likely that  
 17 delinquent taxpayers own parcels of lesser value  
 18 than those taxpayers who are actually paying their  
 19 taxes?  
 20 MR. STEWART: Objection.  
 21 THE WITNESS: I don't understand the question.  
 22 BY MR. SMITH:  
 23 Q. Which -- do you agree that it's more  
 24 likely that people who are not paying their  
 25 property taxes own lower-value properties than

1 It was something that I looked at in forming my opinion,  
 2 Q. And did you ever update this spreadsheet?  
 3 A. Yes.  
 4 (Document marked No. 24)  
 5 Q. I'm going to hand you Exhibit 24, which  
 6 are some summaries that were produced regarding the  
 7 property tax forecast. Do you know who created  
 8 these?  
 9 A. Yes. Yes, I do.  
 10 Q. Who prepared these?  
 11 A. So for some of them, I wrote them, and  
 12 other ones Bob and Katie wrote them.  
 13 Q. Which ones did you write?  
 14 A. So I wrote Page 1, and I wrote the next  
 15 one, the next two-page document. I wrote portions  
 16 of the following document.  
 17 Q. One entitled Detroit Revenue  
 18 Extrapolation?  
 19 A. Right. I wrote some portions of that, and  
 20 I wrote some portions of the long-term projections  
 21 discussion item. And I didn't write any of the  
 22 estimation of individual income taxes, and I wrote  
 23 portions of the last two pages.  
 24 Q. Okay. If an owner of a property has been  
 25 delinquent in payment of taxes, does that mean that

1 those who are paying their property taxes?  
 2 A. I don't know.  
 3 Q. In the document that I had handed you, the  
 4 last exhibit, the first document, Changes to  
 5 Detroit Property Tax Forecast, you mention  
 6 conversations with the City. Who would you have  
 7 been having conversations with that are reflected  
 8 in this document?  
 9 A. So this one doesn't have a date on it, but  
 10 I had conversations with Alvin Horhn, Gary Evanko,  
 11 Michael Jameson, Linda Beatty. I think that's it.  
 12 Q. Do you know when this document -- the  
 13 first page was created?  
 14 A. You know, I'm not sure. It would have  
 15 been sometime between, you know, between the -- so  
 16 we did an update in February, so it would have been  
 17 around that February 2014 update.  
 18 Q. Okay. And then the next document entitled  
 19 Changes to Detroit Property Tax Forecast Since June  
 20 2013 mentions you had discussions with the COD  
 21 assessor's office. Do you see that?  
 22 A. Yes.  
 23 Q. Would those be the same people that you  
 24 were having discussions with?  
 25 A. Yes. So here by February, I had had a

1 couple conversations with Alvin Horhn, and I had  
 2 had at least one conversation with Gary, and he had  
 3 provided some data to me.

4 Q. Do you have any familiarity with the  
 5 methods used by municipalities to estimate the  
 6 revenue generated by a tax increase?

7 A. Do you have a specific example?

8 Q. Well, I'm wondering if you have any  
 9 knowledge about what methodology municipalities use  
 10 to estimate revenue from a tax increase?

11 A. I don't know what -- I think it would vary  
 12 from city to city, so I don't know what a  
 13 particular city would do.

14 Q. Okay. But do you know -- are you familiar  
 15 with the method -- the various methods that cities  
 16 can use to estimate increases in revenue from a tax  
 17 increase?

18 A. So there are, I would say, accepted  
 19 methods of estimating tax changes and its revenue  
 20 impacts.

21 Q. And what would be the accepted methods of  
 22 estimating increased revenue from a tax increase?

23 A. So conceptually you would want to  
 24 understand how -- and you said a tax increase?

25 Q. Yeah.

1 of the software tools we talked about earlier like  
 2 REMI to help you model changes to the tax base  
 3 given a tax policy change, and that would be an  
 4 accepted way of doing it.

5 Q. Would another method be IMPLAN or --

6 A. IMPLAN doesn't work for tax changes like  
 7 that.

8 Q. If you were asked to forecast the rate of  
 9 compliance with a tax, how would you go about that,  
 10 or what factors would you consider?

11 A. So for rate of compliance, thinking about  
 12 compliance with the tax change, you would want to  
 13 think about so what is the -- what is the tax base  
 14 being affected. And there's literature on how  
 15 compliance differs across tax bases, and so I would  
 16 consult the literature and also the historical  
 17 performance to use that as a guide as to what the  
 18 compliance is and then what, obviously, is  
 19 happening in terms of whether you're raising or  
 20 lowering taxes. And there's literature on that as  
 21 well, and you could consult that to help you think  
 22 through what happens with compliance whether you're  
 23 raising or lowering taxes.

24 (Document marked No. 25)

25 Q. Why don't I hand you what I'm going to

1 A. So you would want to understand what is  
 2 the -- so what does the tax increase mean? Is it a  
 3 tax rate increase? Is it an addition to the tax  
 4 base? So you would have to think through how is  
 5 your tax base going to change by whatever is being  
 6 proposed to raise revenue. And so you could  
 7 have -- with the tax increase, you could have any  
 8 number of things. You could have an addition to  
 9 the tax base making it bigger. You could have --  
 10 if you increased the tax rate, you would have to  
 11 think about well, does that increase in the tax  
 12 rate, how does that affect the tax base.

13 There's a number of things. You know, you  
 14 would want to parse out sort of changes that affect  
 15 your tax calculation, which would typically be your  
 16 rate and your tax base.

17 Q. And are there -- you said there are a  
 18 number of accepted methodologies for doing that  
 19 type of analysis?

20 A. I would say I don't know a number of, but  
 21 there is a way that you would go about doing it,  
 22 which is you could set up your analysis of here's  
 23 your tax change and thinking through all factors  
 24 that affect, you know, the tax base, and that would  
 25 be an accepted way of doing it. You could use one

1 mark as Exhibit No. 25. It's some data from the  
 2 Michigan Realtors Association on residential home sales.  
 3 Is this the type of data that you looked  
 4 at in your analysis?

5 A. Yes.

6 Q. And for Detroit Board of Realtors, they've  
 7 got a 14 to 13 year-to-date percent change of  
 8 42.13 percent in home prices. Do you see that?

9 A. Yes.

10 Q. So home prices based on the Detroit  
 11 realtor data went up 42.13 percent in 2014 so far  
 12 compared with the prior year. Is that accurate?

13 A. You said the year-to-date average price  
 14 changed?

15 Q. Yeah.

16 A. Yeah, that's right.

17 Q. And you've updated your spreadsheets with  
 18 data such as this; is that correct?

19 A. Uh-huh.

20 Q. Okay. But you didn't use the updated data  
 21 in your actual analysis or calculations; is that  
 22 correct?

23 A. So I used the data -- every time we  
 24 updated, I looked to see if growth rates needed to  
 25 be updated, so it's one of the things that I would

1 look at in doing updates.

2 Q. Why have home prices increase by  
3 42 percent in Detroit thus far in 2014 compared to  
4 2013?

5 A. I don't know.

6 Q. Do you know any of the factors that  
7 contributed to that increase?

8 A. I don't know why average home price sales  
9 have gone up that much. I don't know.

10 Q. Let me ask you this. I mean, can you  
11 identify any other cities that have had comparable  
12 growth in average home prices in 2014 to Detroit?

13 A. I haven't specifically looked at other  
14 cities, so I don't know.

15 Q. Historically in Detroit, has there ever  
16 been a period of time where home prices have  
17 increased by as much as 40 percent?

18 A. The period I looked at, there was not. I  
19 haven't -- I would have to speculate. I don't know  
20 before the periods I looked at.

21 Q. What period did you look at?

22 A. So I had consistent data from 2001 onward.

23 Q. Okay. So the increase that we're seeing  
24 in 2014 in average home prices is greater than any  
25 of the increases that occurred at least since 2001

1 BY MR. SMITH:

2 Q. On Page 15 of the report at the top --  
3 A. Okay.

4 Q. -- Ms. Kopacz says that financial modeling  
5 is a highly subjective undertaking that is affected  
6 by the assumptions made and the professional biases  
7 of the analysts developing the model.

8 Do you agree with that statement?

9 A. I may not say highly. I think in  
10 financial modeling, there's some art in addition to  
11 science to it, so...

12 Q. Do you agree the financial modeling is a  
13 subjective undertaking that is affected by the  
14 assumptions made and the professional biases of  
15 analysts developing the model?

16 A. I would agree with that.

17 Q. And you would agree that financial  
18 modeling is both a science and an art?

19 A. I do. I do agree with that.

20 Q. Over on Page 25, there's a section called  
21 the plan of adjustment.

22 A. Yeah.

23 Q. And she says even after many years of  
24 practice with dysfunctional, insolvent,  
25 operationally troubled enterprises, I was confused

1 in Detroit; is that correct?

2 A. I think that's correct.

3 (Document marked No. 26)

4 Q. Let me ask you about what I'll mark as  
5 Exhibit 26. Is this the type of data that you got  
6 for your building permit spreadsheet?

7 A. Yes.

8 Q. Okay. And so this has some updated  
9 numbers just up to May 2014 of -- I guess there's a  
10 total of \$68 million in construction cost for  
11 permits that have been issued so far; is that correct?

12 A. That looks to be correct, yes.

13 Q. And is that -- do you know if that's an  
14 increase compared to prior periods or not?

15 A. When I looked at it, the -- so the  
16 year-to-year change in the last few years had been positive.

17 Q. You have mentioned that you had reviewed  
18 or at least up to about Page 75 of Kopacz's report.

19 I'm going to hand you a copy of that. Is that a  
20 copy of the report that you were talking about?

21 A. Let me look.

22 MR. STEWART: What exhibit number on this one?

23 MR. SMITH: 27.

24 (Document marked No. 27)

25 THE WITNESS: Yes, this looks to be the report.

1 by the City's projections in POA. Section E of  
2 this report provides detail on how the projections  
3 in our eyes are structured. Suffice it to say that  
4 the 10-year projections, the 10-year, 40-year  
5 projections and the restructuring and reinvestment  
6 initiatives form an unusual construct for a  
7 financial plan for an enterprise attempting to  
8 emerge from bankruptcy. Do you see that?

9 A. I do.

10 Q. You haven't ever participated in  
11 constructing financial projections that are similar  
12 to the ones that have been constructed in the  
13 Detroit case, have you?

14 A. I have not been involved in putting  
15 together -- what was the word you used?

16 Q. Projections similar to the type that are  
17 in this Detroit bankruptcy.

18 A. I have not been responsible for putting  
19 together this exact kind of format. That's true.

20 Q. Have you ever been involved in any  
21 construction of projections where you had to rely  
22 on other experts for their own projections such as  
23 the reinvestment projections that were given to you  
24 from Conway MacKenzie?

25 A. So in work that I've done in looking at

1 the projections of, say, a particular project, I  
 2 would often rely on information provided by a third  
 3 party such as the planned construction costs for  
 4 the project. So they would forecast how that would  
 5 look like over that period of time, so I would have  
 6 to take somebody else's work and use it, which is a  
 7 little bit, I guess, similar to this situation  
 8 where we were looking at information projections  
 9 prepared by another group or expert.

10 Q. Page 27, the last paragraph, the second  
 11 sentence says the projections in the POA have not  
 12 been harmonized with the City's budget that was  
 13 passed by the City Council on June 5, 2014.

14 A. I see that.

15 Q. Were you aware that the projections that  
 16 Ernst & Young had done had not been harmonized with  
 17 the City budget?

18 A. I was not aware of that until I read this  
 19 part of the report.

20 Q. Have you looked at the budget's  
 21 projections at all in doing your work?

22 A. I looked at past City budgets. I have not  
 23 looked at this June 5, 2014 budget.

24 Q. On Page 52, there's an analysis here, the  
 25 sensitivity analysis for the revenue sharing. Do

1 change in the 10-year assumption will result in  
 2 approximately 21 million change in collected -- oh,  
 3 that's income tax revenue. Never mind.

4 MR. STEWART: Sorry. Where are we?

5 MR. SMITH: Never mind. We're in a place  
 6 that's not relevant for Ms. Sallee.

7 BY MR. SMITH:

8 Q. Do you have any plans to reserve -- to  
 9 read the rest of the Kopacz report or not?

10 A. I guess I haven't thought about it. I  
 11 don't know.

12 Q. Do you have any plans to do any additional  
 13 work before you testify?

14 A. I will probably do some preparation before  
 15 I testify, I'm guessing.

16 Q. But any additional changes to your  
 17 forecast, are you planning those before you  
 18 testify?

19 A. No, I'm not.

20 Q. In the historical data that you've looked  
 21 at, has the City always been in poor financial  
 22 shape?

23 A. I was not asked to look at the City's  
 24 financial position in the past, and so I didn't do  
 25 that. So I don't know.

1 you see that?

2 A. Yes.

3 Q. And she says at the end of the first  
 4 paragraph the statutory payment of 5 percent change  
 5 in the allocation would have a cumulative impact of  
 6 70 million to the General Fund during the fiscal  
 7 year 2014-2023 period. Do you see that?

8 A. Yes, I do see that.

9 Q. In your view, is this sensitivity analysis  
 10 that Ms. Kopacz has provided showing a 5 percent  
 11 change in the statutory revenue sharing allocation  
 12 would have a \$70 million impact over the 10-year  
 13 period, is that reasonable?

14 A. Yeah, it is reasonable.

15 Q. Then underneath the graph or the chart she  
 16 says the City of Detroit reasonable saw its state's  
 17 revenue sharing decreased significantly from a  
 18 combined annual total of 267 million in fiscal year  
 19 2009 to as low as 173 million in fiscal year 2012.

20 Is that consistent with your  
 21 understanding?

22 A. I don't have my spreadsheet in front of  
 23 me, but that seems about right.

24 Q. Over on Page 61, at the bottom, it says  
 25 for the without-RRIs scenario, every 1 percent

1 (Document marked No. 28)

2 Q. I'm going to hand you what's been marked  
 3 as Exhibit 28, which is an article entitled How  
 4 Michigan's Revenue Sharing Raid Cost Communities  
 5 Billions for Local Services. And in the third  
 6 paragraph, it says over the past decade, lawmakers  
 7 and governors from both political parties have used  
 8 some 6.2 billion in sales tax collections to fill  
 9 state budget holes rather than fulfill a statutory  
 10 revenue sharing promise to local communities  
 11 according to the Michigan Municipal League, which  
 12 released a city-by-city analysis earlier this month.

13 Is that consistent with your  
 14 understanding?

15 A. So it is true that the state has not in  
 16 the past allocated what statute would say is full  
 17 funding to municipalities. It hasn't done that.

18 Q. And the amount for -- in total, is it a  
 19 reasonable to say around \$6 billion over the last  
 20 decade?

21 A. I don't know where that number is coming  
 22 from or how they've calculated it, so I don't know  
 23 if that's reasonable.

24 Q. The last paragraph says Detroit, which  
 25 filed for bankruptcy protection last year, missed

1 out on 732 million between 2003 and 2013 for the  
2 report.

3 Does that sound like a reasonable estimate  
4 in the amount of revenue sharing that Detroit has  
5 lost as a result of the state's failure to fully  
6 fund revenue sharing during that period?

7 MR. STEWART: Objection.

8 THE WITNESS: So I would have to perform an  
9 analysis to see and actually look at the data  
10 before I would say whether that number was  
11 reasonable.

12 BY MR. SMITH:

13 Q. I mean, you know it's been -- Detroit has  
14 lost out on hundreds of millions of dollars over  
15 the last decade as a result of the state not fully  
16 funding revenue sharing, correct?

17 A. So the state I know has not fully funded,  
18 and I don't know at this moment exactly what the  
19 impact on Detroit is -- has been.

20 Q. Well, you know that it would be at least  
21 hundreds of millions of dollars, correct?

22 MR. ALBERTS: Objection.

23 THE WITNESS: I would want to do the analysis  
24 before I would say that.

25

1 Q. Okay. So the lawmakers are ignoring the  
2 statute that sets the full funding levels for  
3 revenue sharing; is that fair?

4 A. So I know part of it is expired, the  
5 formula, so I can't tell you -- I can't remember  
6 right now the exact relationship. What I do know  
7 is the legislature boilerplate language is  
8 allocating the EVIP money, and that's done each  
9 budget cycle.

10 Q. And you know that a lot of municipalities  
11 are upset by the cuts to the revenue sharing  
12 payments by the State of Michigan, correct?

13 A. So I've had conversations at my old job  
14 and through this project with Michigan Municipal  
15 League or others, and over the past decade through  
16 my conversations, municipalities have been upset  
17 that they've not received more revenue sharing  
18 money.

19 Q. And did you work with the Municipal --  
20 what is it, the Michigan Municipal League in your  
21 prior job?

22 A. I -- they were -- well, so work with, yes,  
23 in the sense that in certain projects, I would talk  
24 with representatives from the Michigan Municipal  
25 League. We never had any paid project from them or

1 BY MR. SMITH:

2 Q. I mean, just from your knowledge of what  
3 the sums have been for revenue sharing, it's not --  
4 all you have to do is add up the amount of the  
5 cuts. Would that be fair?

6 MR. STEWART: Objection.

7 THE WITNESS: But I don't know what the  
8 year-end cuts are. I would want to see the data.

9 BY MR. SMITH:

10 Q. So nobody ever -- you never tried to  
11 figure out how much Detroit has lost out from the  
12 state's failure to fully revenue sharing; is that  
13 correct?

14 A. So in the work that I've done, I usually  
15 look to see what actual revenues the City has  
16 received, and so that's what I looked at, not the  
17 difference between state fully funding and what  
18 they received. I didn't look at that.

19 Q. The state's never changed the statute that  
20 sets out the full funding level for revenue  
21 sharing, correct?

22 A. My understanding is that the statute -- so  
23 for statutory payments, part of it expired. I  
24 think the statute still exists. I'm going off  
25 memory. It's being ignored is what I've been told.

1 anything.

2 Q. Is the Michigan Municipal League a  
3 reliable source of information on payments that  
4 have been made to the cities in Michigan?

5 A. I don't know.

6 (Document marked No. 29)

7 Q. Do you know Anthony Minghine? I'll just hand  
8 you Exhibit 29. Do you know the author of this paper?

9 A. I do not know Anthony Minghine.

10 Q. Would it be fair to say that you don't --  
11 you haven't done the work necessary to dispute the  
12 calculation of the sums that have been lost to  
13 Detroit or other cities as a result of not fully  
14 funding revenue sharing that the Michigan Municipal  
15 League has done, correct?

16 MR. STEWART: Objection.

17 THE WITNESS: I have not done an analysis of  
18 full funding of the statutory payment in the past  
19 and what cities have actually received in Michigan.

20 BY MR. SMITH:

21 Q. So you don't have any basis to dispute the  
22 Michigan Municipal League's conclusions regarding  
23 the amount that revenue sharing has been cut to  
24 Detroit or the other cities, correct?

25 A. I have not done the analysis, so I would

1 have to do that before I could comment on whether  
 2 it was accurate.

3 Q. And in fact, the revenue sharing cuts are  
 4 described as a heist in this paper, right?

5 A. That's what the title says.

6 Q. I mean, there's a lot of widespread  
 7 publicity about the problems that the cuts in  
 8 revenue sharing have had for Michigan cities,  
 9 correct?

10 A. It is a topic in news articles and things  
 11 that I've read.

12 Q. And isn't it true that the state has cut  
 13 the revenue sharing payments and used the money to  
 14 balance the state budget?

15 A. So Michigan's financial -- fiscal  
 16 situation was pretty dire after the 2001 recession,  
 17 and so one form -- one way of achieving a balanced  
 18 budget was to not allocate full funding for  
 19 municipal revenue sharing.

20 Q. But now Michigan has a balanced budget,  
 21 the state, correct?

22 A. Well, they always have a balanced budget.  
 23 They're legally required to each year.

24 Q. Well, if you look at this article, the  
 25 last sentence on the page or last couple sentences

1 BY MR. SMITH:

2 Q. How about in Flint, Michigan, do you think  
 3 they're upset that the state is running surpluses  
 4 while they're not paying them the full amount of  
 5 revenue sharing?

6 A. I did not ask them that question, so I  
 7 don't know.

8 Q. What does the state do with all the  
 9 surplus money?

10 A. I don't -- I haven't looked to see how  
 11 they've used the money. I don't know.

12 Q. Do you know why the governor's budget  
 13 ended up including the increase in revenue sharing  
 14 that you've incorporated into your most recent  
 15 forecast?

16 A. I don't know why the legislature passed  
 17 the increase. I don't know why.

18 Q. Do you agree that you can't tell me what  
 19 the property tax rate is going to be over the next  
 20 10 years?

21 A. I -- so property tax rates meaning all the  
 22 different types of millages, I don't know what all  
 23 the different types of millages are going to be  
 24 over the next 10 years.

25 Q. Can you -- are you able to testify about

1 say the state is now in an enviable position,  
 2 revenues that exceeded expectations. It is posting  
 3 large surpluses, but has failed to take steps to  
 4 restore local funding. Do you see that?

5 A. I do.

6 Q. And are you aware that the state in recent  
 7 years has been posting large surpluses?

8 A. So large, I don't know about large, so you  
 9 would have to say well, what do you mean by large.  
 10 The state, the last two years they did have a --  
 11 their revenues exceeded their planned budgeted  
 12 expenses, so they were running a surplus in that  
 13 sense.

14 Q. And do you know how much those surpluses  
 15 were for the last two years?

16 A. Off the top of my head, no.

17 Q. Would it be fair to say that the fact the  
 18 state is running surpluses has made the cities even  
 19 more upset that the state isn't increasing revenue  
 20 sharing payments?

21 MR. STEWART: Objection.

22 THE WITNESS: I wouldn't know. I haven't  
 23 talked to anyone, so I don't know how they're  
 24 feeling.

25

1 the funds that the City expects to receive from the  
 2 State of Michigan in the future?

3 A. Not all funds, so the only thing that I've  
 4 said that I will speak about is the state revenue  
 5 sharing.

6 Q. That's the only source of funds you can  
 7 talk about?

8 A. That's the only source of funds I'm going  
 9 to talk about, yeah.

10 Q. And in terms of what the actual amounts  
 11 that are going to be given to the state, not the  
 12 forecasts in your forecast, have you done any  
 13 investigation to find out what, if anything, the  
 14 City knows about actual sources of funds that might  
 15 be provided by the state over the next 10 years?

16 A. Okay. So I got lost in that. What's your  
 17 question?

18 Q. Do you know who from the City deals with  
 19 the state on revenue sharing?

20 A. No, I don't know.

21 Q. And so would it be fair to say that you  
 22 haven't talked to the people at the City to find  
 23 out what, you know, actually might happen with  
 24 state revenue sharing over the next 10 years?

25 A. So I haven't talked with anyone at the

1 City about state revenue sharing. I'm not sure how  
 2 that would mean -- how the City would be affecting  
 3 state revenue sharing. I mean, there's two parts  
 4 of it. The constitutional piece, I can't see how  
 5 City officials can affect that directly. And the  
 6 EVIP portion is being decided by the legislature.

7 Q. Well, I'm just wondering not that they can  
 8 affect it, but have you asked people at the City to  
 9 give you what information they know about what  
 10 might actually happen to revenue sharing over the  
 11 next 10 years?

12 A. I have not had a conversation with anyone  
 13 at the City about what they think might happen to  
 14 revenue sharing in the next 10 years.

15 Q. Have had you a conversation with anyone at  
 16 the state about what might happen with revenue  
 17 sharing over the next 10 years?

18 A. Yes.

19 Q. Who did you have a conversation with?

20 A. Well, when you say state, I had a  
 21 conversation -- I also had a conversation with Jay  
 22 Wortley at Treasury, and I had a conversation --  
 23 several conversations with Jay Wortley, several  
 24 conversations with Jim Stansell at House Fiscal  
 25 Agency.

1 referring to?

2 MR. STEWART: Could I have the question read  
 3 back, please.

4 (Whereupon, the record was  
 5 read as requested.)

6 MR. STEWART: Objection.

7 THE WITNESS: He only -- we only talked about  
 8 his projections and what he thought was reasonable  
 9 for the sales tax and nothing beyond that.

10 BY MR. SMITH:

11 Q. Why is the EVIP going to be eliminated  
 12 potentially next year?

13 A. In my conversation with Jim Stansell, that  
 14 came up, and this is just his opinion. He's not a  
 15 legislator. He thought that people in the  
 16 legislature were not really in favor of the program  
 17 and that there had been some statements about it  
 18 saying that they wanted to change the program for  
 19 something else.

20 Q. And what is -- did he tell you what he  
 21 anticipates might be substituted for EVIP?

22 A. He didn't know.

23 Q. So right now the only person you talked to  
 24 suggested that the EVIP program that you assume is  
 25 going to continue for the next 10 years is -- may

1 Q. And what did they tell you?

2 A. So Jim Stansell's pretty pessimistic about  
 3 EVIP, thinks it's going to be eliminated next year,  
 4 and there's some -- he thinks some program will be  
 5 put in its place, but he doesn't see it as -- I  
 6 asked him about our assumption keeping EVIP  
 7 constant in our forecast, and he agreed with that.  
 8 There's that -- it's very variable.

9 And then I talked to Jay Wortley when I  
 10 received the state forecast of revenue sharing, the  
 11 constitutional portion, and talked to him about  
 12 growth rates in sales tax revenue. And so that's,  
 13 I think, what we talked about there.

14 Q. Did he believe that sales tax revenue  
 15 would be increasing over the next 10 years?

16 A. He did.

17 Q. And did he give you any numbers about how  
 18 much he believes the sales tax revenue might  
 19 increase over the next 10 years for Michigan?

20 A. So we used his -- the projections from his  
 21 office for the 10-year forecast for constitutional  
 22 revenue sharing.

23 Q. Did he identify any factors that might  
 24 increase the sales tax revenues above what he's  
 25 anticipated in the written document you're

1 be eliminated next year, correct?

2 A. So he's responsible for understanding  
 3 those kinds of programs. It's his duty at the  
 4 House Fiscal, and he thought that program might be  
 5 eliminated. The money associated with it would  
 6 still be distributed in some ways to the cities,  
 7 villages and townships.

8 Q. Did the state official, though, you spoke  
 9 with give you any idea about whether there would be  
 10 increases or decreases in revenue sharing at any  
 11 point in time?

12 A. He didn't comment on revenue sharing as a  
 13 whole, increases or decreases, no.

14 Q. Right now the information you have,  
 15 though, is -- I mean, the best information you have  
 16 is EVIP is likely to be eliminated, perhaps, within  
 17 about a year; is that correct?

18 A. So that was one piece of information I  
 19 received, and you know, we've decided as others  
 20 like Michigan Treasury to hold that funding for  
 21 Detroit constant in our forecast given that it is  
 22 uncertain. That program could be eliminated. It  
 23 could be replaced with something else. And our  
 24 most reasonable assumption is that that sort of  
 25 type -- that amount of money would likely go to

1 Detroit in our period.  
 2 Q. Has anybody identified what EVIP would be  
 3 replaced with if it's eliminated?  
 4 A. No.  
 5 Q. And is one reason that EVIP is going to be  
 6 replaced is that people don't like jumping through  
 7 all the hoops and requirements that it requires the  
 8 cities to do in order to calculate how much money  
 9 they're going to get?  
 10 MR. STEWART: Objection.  
 11 THE WITNESS: Well, so the legislators are the  
 12 ones that control its destiny, and they seem to  
 13 like that sort of thing.  
 14 BY MR. SMITH:  
 15 Q. I'm just trying to get an idea of why this  
 16 state official you talked to thinks EVIP is going  
 17 to be eliminated within a year.  
 18 A. He said there had been some statements on  
 19 the record by different -- so the Speaker of the  
 20 House, people in the senate, and they were saying  
 21 they didn't care for the program. So I think  
 22 that's what he was basing his decision on, and so  
 23 that was -- in our conversation came up. And so he  
 24 thought it would be replaced. There would be money  
 25 going to cities, villages and townships. It just

1 or 40 years, correct?  
 2 MR. STEWART: Objection.  
 3 THE WITNESS: I don't know what the City thinks  
 4 they're going to be for the next 10 or 40 years.  
 5 BY MR. SMITH:  
 6 Q. Have you ever forecasted population levels  
 7 before?  
 8 A. Yes.  
 9 Q. In what context did you do that?  
 10 A. For specific projects that I worked on in  
 11 the past for public and private clients.  
 12 Q. And did you ever -- have you ever  
 13 forecasted population levels for a city before?  
 14 A. No, I don't think so. Is that right?  
 15 Yeah I don't think I have.  
 16 MR. STEWART: We've been on the record about  
 17 90 minutes.  
 18 MR. SMITH: Okay. Let's take a break.  
 19 THE VIDEOGRAPHER: Off the record. The time is  
 20 4:46 p.m.  
 21 (Whereupon, a short break was  
 22 taken.)  
 23 THE VIDEOGRAPHER: We are back on the record.  
 24 The time is 4:55 p.m.  
 25

1 probably wouldn't be under EVIP for much longer.  
 2 Q. Is it accurate that you're not the person  
 3 to testify or you can't testify about the  
 4 population levels that will be in Detroit for each  
 5 year during the 10-year and 40-year forecast?  
 6 A. So a clarifying question. So population,  
 7 I think I was identified as the person who can  
 8 speak about those.  
 9 Q. Yeah, but you didn't do the actual  
 10 forecast of population levels, though, did you for  
 11 the Ernst & Young forecast?  
 12 A. So the population levels up until 2029 are  
 13 SEMCOG forecasts, and then post 2029 I put those  
 14 together.  
 15 Q. Did you ever talk to anybody at the City  
 16 about what they anticipate population levels will  
 17 be in the city?  
 18 A. Let me think. I might have. Some of the  
 19 earlier conversations we talked about things like  
 20 that. I don't know if I had a -- I don't know  
 21 actually if I had a conversation with anyone at the  
 22 City.  
 23 Q. So it would be fair to say you can't tell  
 24 me what the City's view is regarding what the  
 25 population levels are going to be for the next 10

1 BY MR. SMITH:  
 2 Q. Ms. Sallee, would you like to know if  
 3 people from the City believe that the Ernst & Young  
 4 projections were unrealistic?  
 5 A. As a matter of just intellectual  
 6 curiosity, yeah, I would be interested to know  
 7 that.  
 8 Q. Well, wouldn't you also want to know that  
 9 for purposes of making sure that your forecasts  
 10 were done in a reliable way?  
 11 A. So the City's opinion doesn't mean  
 12 something is reliable or not. I would be  
 13 interested in knowing what they thought.  
 14 Q. Why would you want to know if the City  
 15 thought that the forecasts were unrealistic?  
 16 A. As I said earlier, I would be surprised by  
 17 that since I've had conversations with the City for  
 18 the things I've looked at and received data from  
 19 them.  
 20 Q. Are your property tax calculations  
 21 assuming that certain activities by the City will  
 22 occur over time?  
 23 A. What do you mean?  
 24 Q. Well, I guess collections would be one  
 25 activity.

1     A. So my forecast assumes that the City does  
2 collect property tax.

3     Q. I mean, do you know how property tax  
4 collection is funded in the city of Detroit?

5     A. Do I know how property tax collections are  
6 funded in the city of Detroit to the physical  
7 logistical collections? No, I don't.

8                 (Document marked No. 30)

9     Q. Let me hand you what's been marked as  
10 Exhibit 30, and you can let me know if you've seen  
11 this letter before.

12    A. I don't think I have seen this letter.

13    Q. Okay. The first -- it's talking about the  
14 projections that you've contributed to in this case, correct?

15    A. Let me read. Hold on. Okay. What's your  
16 question?

17    Q. This letter relates to the forecasting  
18 project that you've been involved in for the City  
19 of Detroit?

20    A. It appears, yes.

21    Q. And it says regarding the model, we wish  
22 to make clear the following: Number one, the model  
23 was constructed pursuant to the terms of the  
24 engagement. Is that your understanding?

25    A. So I never saw the statement of work or

1 forecast data. Assumptions for inclusion in the  
2 model and all such data assumptions are the  
3 responsibility of the City.

4                 Is that consistent with your  
5 understanding?

6     A. So in the piece that pertains to me, the  
7 City did provide me with historical data, and we had  
8 conversations. And then this says it's the responsibility  
9 of the City. I don't have a comment on that.

10    Q. It says Ernst & Young accepts no  
11 responsibility to any third party in respect of the  
12 model or the results it generates. Do you agree  
13 with that statement?

14    A. It's consistent with the disclaimers  
15 elsewhere you had me read.

16    Q. And do you agree with that statement?

17    A. I agree with that statement.

18                 (Document marked No. 31)

19    Q. Let me hand you what I've marked as  
20 Exhibit 31. Is this the Case-Shiller data that you  
21 had relied on in doing your forecast?

22    A. This looks like, yes, the Case-Shiller from FRED.  
23                 (Document marked No. 32)

24    Q. I'm going to hand you what's been marked  
25 as Exhibit 32. Can you identify this document for

1 the engagements, so I don't know the terms is what  
2 I'm saying.

3     Q. Okay. Do you have an understanding about  
4 whether the forecasting model that you've helped to  
5 create is constructed pursuant to the terms of an  
6 engagement agreement with the City?

7     A. The things that I know are that we had an  
8 engagement or have an engagement with the City, and  
9 I was brought on to do revenue forecasting. I  
10 don't know -- I haven't seen any of the documents  
11 pertaining to the engagement or the statement of  
12 work.

13    Q. Okay. It says the terms of the engagement  
14 do not require EY to update the model for events  
15 occurring subsequent to the production of the final  
16 version of the model which accompanies this letter.  
17 Do you see that statement?

18    A. I do.

19    Q. Is it your understanding that Ernst &  
20 Young is not going to be doing any further updating  
21 of the forecasting model?

22    A. That's what this says. I hadn't been told  
23 anything.

24    Q. The next statement says the City provided  
25 Ernst & Young with historical, projected and/or

1 me?

2     A. Yes. The City provides this report of --  
3 these are non-delinquent property tax collections  
4 by type of property.

5     Q. Okay. And is it fair to say you didn't  
6 verify the accuracy or reliability of this information?

7     A. I had conversations with the City about  
8 what it meant, and I took efforts to reconcile this  
9 information with the collection rates that are  
10 reported in the audited comprehensive annual  
11 financial statement.

12    Q. Did you find discrepancies between the  
13 collection rates you were provided by the City and  
14 the audited statements?

15    A. So this is non-delinquent property tax  
16 collections by property type, and what's reported  
17 in the CAFR is property tax collections divided by  
18 tax levy. And so the CAFR collection rate is a  
19 different -- a slightly different measure than  
20 what's being presented here, and so I took steps to  
21 make sure I understood why they were different.  
22                 (Document marked No. 33)

23    Q. And -- okay. I'm going to hand you what  
24 I've marked as Exhibit 33, a document entitled  
25 Estimating Methodology Detroit Tax Forecast.

1       A. Okay.  
 2       Q. If you look on the second page of this  
 3 document, at the bottom, it says Jay Wortley  
 4 provided updated state aid spreadsheet to be  
 5 consistent with any change in the state May sales  
 6 tax forecast. Do you see that?

7       A. Uh-huh.

8       Q. And then it says Jay's estimates are about  
 9 30 percent lower than the MSU economists' estimates  
 10 by 2022. Do you see that?

11      A. I do.

12      Q. Are you aware of estimates for sales tax  
 13 revenues that are higher than the estimates that  
 14 you used?

15      A. So at the very beginning of the project,  
 16 we looked at forecasts put together by the MSU  
 17 economists that's mentioned here, and this says  
 18 that they are higher than what the state economist,  
 19 Jay Wortley had put together. That's all I know  
 20 about that.

21      Q. I mean, did you write this document?

22      A. I wrote pieces of it. So I wrote pieces  
 23 of this along with Bob Cline.

24      Q. Have you actually seen the estimates from  
 25 the MSU economists on sales tax revenues that are

1 When you say consensus revenue estimates for the  
 2 City, what exactly are you talking about?

3       Q. Well, do you know that there's a  
 4 conference where there was a consensus revenue  
 5 estimate put together for the City?

6       A. When was that done?

7       Q. Well, I don't have the exact date, but you  
 8 know that -- do you know that there's a process  
 9 where there are consensus revenue estimates for the  
 10 City that are put together because it's under the  
 11 financial supervision by the state?

12      A. Uh-huh. So I know there's a process. I  
 13 have no idea if Eric Scorsone was involved.

14           (Document marked No. 34)

15      Q. I'm going to hand you an exhibit marked  
 16 Exhibit No. 34. It's entitled State Revenue  
 17 Sharing Growth Assumptions. In the middle, it says  
 18 the metro areas accrue after a decade of population  
 19 decline and --

20      MR. STEWART: Let me -- I got it. Go ahead. Sorry.  
 21 BY MR. SMITH:

22      Q. And it lists Akron, Cleveland, Detroit,  
 23 New Orleans, Scranton, Syracuse, Toledo. Do you  
 24 see that?

25      A. I do.

1 different from what you used in your analysis?

2       A. I don't remember his -- I don't remember  
 3 his estimates pertaining to funding ground state  
 4 aid. I can't recall what his analysis said.

5       Q. Okay. The relevance of the state sales  
 6 tax revenues is because it can affect the level of  
 7 state revenue sharing; is that correct?

8       A. So sales tax revenue funds constitutional  
 9 revenue sharing, yes.

10      Q. Do you think that you were provided the  
 11 MSU estimates, or do you just not remember?

12      A. So we were provided the MSU estimates, and  
 13 we were provided those, I want to say, in May of  
 14 2013, so over a year ago. And we looked at them  
 15 and analyzed them then, and I have not looked at  
 16 them in probably a year.

17      Q. Do you know whether the MSU economists  
 18 updated their estimates for sales tax revenue?

19      A. I have no idea if he's updated them.

20      Q. Eric Scorsone, was he the MSU economist?

21      A. He is, yes.

22      Q. Do you know whether those sales tax  
 23 revenue estimates were used in the consensus  
 24 revenue forecasts for the City?

25      A. I have no idea if -- so let me back up.

1       Q. And that's the data from that Brookings  
 2 study; is that correct?

3       A. That you showed me earlier, yeah.

4       Q. And would it be fair to say that there are  
 5 a number of cities that have experienced prolonged  
 6 periods of population decline, correct?

7       A. What do you mean by prolonged?

8       Q. Well, at least a decade of population  
 9 decline?

10      A. And you asked about cities?

11      Q. Yes.

12      A. So when you looked at the last 30 years,  
 13 it identified two cities that have had a decade of  
 14 population decline followed by some growth.

15      Q. Haven't there been more than -- it says  
 16 the metro areas accrue after a decade of population  
 17 decline, and it lists several cities here; is that  
 18 correct?

19      A. So in this case, I looked at cities in  
 20 metro areas where they had a decade or more of  
 21 declining population, and then they had a decade of  
 22 population growth overall. So cities that only had  
 23 population decline aren't identified here.

24      Q. Okay. But there are a number of cities  
 25 that have had a decade -- at least a decade of

1 population decline and then grew after that,  
2 correct?

3 A. So in the sense that there are cities that  
4 have had a decade of population decline, there are  
5 cities, and then they might have had one or two  
6 years of growth, and they're not listed here  
7 because that wasn't the criteria that I was looking  
8 at.

9 Q. What was the criteria?

10 A. So I was looking at did a city or metro  
11 area have a decade of decline, and then did they  
12 have a decade where they experienced overall  
13 population growth so I could think about what a  
14 sort of long-run rebound in terms of population  
15 might look like and used that to help me in my  
16 analysis for Detroit.

17 Q. And one of the cities that has had a  
18 decade of population growth after a decade of  
19 population decline is Detroit, correct?

20 MR. STEWART: Objection.

21 THE WITNESS: So Detroit as a metro area had a  
22 decade of decline, and then they had a decade of  
23 growth following it. So the '80s, the metro area  
24 declined, so not just Detroit, but suburbs as well,  
25 and then it picked up in the following decade.

1 the municipalities were in bankruptcy during that  
2 period.

3 BY MR. SMITH:

4 Q. None of the municipalities that  
5 experienced a decade of population decline that  
6 you've identified ever went into Chapter 9  
7 bankruptcy, correct?

8 MR. STEWART: Objection.

9 THE WITNESS: Not that I'm aware of.

10 BY MR. SMITH:

11 Q. And you're not aware of any city that's  
12 gone into Chapter 9 bankruptcy and said oh, the  
13 remedy to our problems is to spend a billion more  
14 dollars that we don't have.

15 MR. STEWART: Objection.

16 THE WITNESS: I haven't looked at specific  
17 bankruptcies elsewhere.

18 BY MR. SMITH:

19 Q. Can you identify any other city that has  
20 ever been in Chapter 9 bankruptcy?

21 A. No.

22 Q. Detroit, though, had this period of growth  
23 that you identify in the 1990s, correct?

24 MR. STEWART: Objection. She said three times  
25 it's the metro area, not Detroit. You continue to

1 BY MR. SMITH:

2 Q. And the Detroit metro area had a long-term  
3 population growth after a decade of decline without  
4 the kind of restructuring or reinvestment  
5 activities that the City is proposing in this case,  
6 correct?

7 A. The Detroit metro area had a decade of  
8 good growth in the '90s when the auto industry was  
9 doing well.

10 Q. Okay. And so the Detroit metro area had a  
11 period of good growth without any restructuring or  
12 reinvestment expenditure by the City or anybody  
13 else, correct?

14 A. During the '90s, I don't know what  
15 expenditures the various cities, villages,  
16 townships, counties were doing during that period.

17 I don't know.

18 Q. During the period of growth of the Detroit  
19 metropolitan area in the decade of the '90s, you're  
20 not aware of any city spending more than a billion  
21 dollars in restructuring activities, correct?

22 A. I haven't looked into it. I don't know.

23 Q. Would that surprise you?

24 MR. STEWART: Objection.

25 THE WITNESS: My understanding is that none of

1 mischaracterize her testimony.

2 MR. SMITH: I'm just looking at the sheet that  
3 she has here. It says Detroit. On the document,  
4 it says Detroit.

5 MR. STEWART: It says the metro areas that  
6 grew. It says metro area. You're the one who's  
7 mischaracterized it again and again. Now stop it.

8 MR. SMITH: Okay.

9 BY MR. SMITH:

10 Q. The Detroit metro areas, it grew in the  
11 1990s, right?

12 A. The Detroit metro area did grow in the  
13 1990s, yes.

14 Q. And there are a lot of people that work in  
15 the city of Detroit that live in the Detroit metro  
16 area, correct?

17 A. What do you mean by a lot?

18 Q. Well, I mean, do have any idea how many  
19 people live in the Detroit metro area and work in  
20 the city of Detroit?

21 A. Off the top of my head, no.

22 Q. Certainly there are examples that you've  
23 identified of cities that have experienced a decade  
24 of population decline and reversed that without any  
25 restructuring or reinvestment initiative, correct?

1     A. So the analysis here, Chicago and  
 2 Philadelphia, had decades of decline followed by a  
 3 decade or more of population growth, and I don't  
 4 know what activities they undertook in terms of  
 5 reinvestment or restructuring. I don't know what  
 6 they did.

7     MR. STEWART: Can you tell us when there's five  
 8 minutes left.

9 BY MR. SMITH:

10    Q. On the second page of this document, you  
 11 mention conversations with Jim Stansell, correct?

12    A. Uh-huh.

13    Q. Did you write this document?

14    A. I wrote portions of it.

15    Q. Okay. In this document, you didn't  
 16 disclose that Jim Stansell had told you that EVIP  
 17 may be eliminated within a year, correct?

18    A. This document was written, I believe, in  
 19 January of 2013, and that conversation with Jim  
 20 Stansell was after that.

21    Q. Have you had any conversations with  
 22 anybody else at the State of Michigan other than  
 23 Mr. Stansell and Mr. Wortley?

24    A. I don't think so.

25    Q. Were they individuals that you had known

1 building permits data, and then the third page has  
 2 the realtor data, and it's not -- it's only going  
 3 up until 2013 it looks like. Do you see that?

4     A. Uh-huh.

5     Q. Is this the most recent version of the  
 6 spreadsheets you've created?

7     A. No.

8                   (Document marked No. 36)

9     Q. I'm going to hand you what I will mark as  
 10 Exhibit 36, and you can let me know if this is a  
 11 document that you created.

12    A. This is not a document I created.

13    Q. Do you know why this was created?

14    A. So it says at the bottom prepared by the  
 15 Office of Revenue and Tax Analysis Michigan Department  
 16 of Treasury, so this is the analysis from Jay Wortley.

17    Q. And do you know how more Wortley put  
 18 together this analysis?

19    A. Other than just being able to look at his  
 20 steps here, that's all the information I have.

21    Q. And did you rely on this analysis in your  
 22 revenue sharing opinion?

23    A. I used his projections for the  
 24 constitutional piece in the 10-year forecast.

25    Q. When you see for fiscal year 2013, 2014,

1 before this case or not?

2     A. They were.

3     Q. And how did you know them?

4     A. I had -- so in my previous job, I did  
 5 mostly work in Michigan. In a number of projects,  
 6 I was either in meetings with them or obtained data  
 7 or information from them.

8                   (Document marked No. 35)

9     Q. Let me hand you what I'm marking as  
 10 Exhibit 35 and let me know if you created this document.

11    MR. STEWART: I have two documents here. Is  
 12 this also --

13    MR. SMITH: Never mind that one.

14    MR. STEWART: This is 35? Okay.

15 BY MR. SMITH:

16    Q. Did you create that document?

17    A. Yes.

18    Q. What's the purpose of that document?

19    A. Well, so do you want me to talk to about  
 20 each of them or --

21    Q. Are these separate spreadsheets doing  
 22 separate analyses?

23    A. Yes.

24    Q. Okay. Got it.

25    The second page of this document has the

1 2015, he has consensus written underneath there, do  
 2 you know what that means?

3     A. I do.

4     Q. What does it mean?

5     A. So Michigan has a consensus revenue  
 6 estimation process, and so these are the sales tax  
 7 numbers, or sales tax revenue numbers shown here  
 8 are the consensus estimates.

9     THE VIDEOGRAPHER: Counsel, we're at the  
 10 five-minute mark.

11    MR. STEWART: And I have a couple of questions  
 12 of my own.

13 BY MR. SMITH:

14    Q. Can you explain to me what exactly are the  
 15 reimbursement mechanisms under the new legislation  
 16 or that may or may not get passed related to  
 17 personal property tax?

18    A. What's your question?

19    Q. Can you explain to me what the  
 20 reimbursement mechanisms are under the proposed  
 21 legislation or measure that would change the  
 22 personal property tax?

23    A. So portions -- so there are several  
 24 different ways that revenue is being replaced. One  
 25 is a new use tax that's being created that would

1 allow money through the use tax to then be sent to  
 2 municipalities that meet certain requirements, and  
 3 the municipalities themselves would be able to levy  
 4 a millage on real property. And there's rules  
 5 around how they can set that millage and what it  
 6 applies to, and they can set that rate equal to  
 7 raising enough revenue to cover essential service.  
 8 Essential services isn't the word. It's more --  
 9 it's the police, fire, those kinds of services.

10 Q. The amount of reimbursement that the City  
 11 receives under the personal property measure, is  
 12 that within the control of the City to some extent?

13 A. Within certain parameters, the City should  
 14 be able to levy a millage that replaces some of the  
 15 lost revenue.

16 Q. And how would it do that?

17 A. Nobody really knows how all this is going  
 18 to work, so I don't know how they're going to do  
 19 that.

20 Q. Have you had any discussions with anybody  
 21 at the City about what they're going to do if the  
 22 personal property legislation ends up going into  
 23 effect?

24 A. We've had conversations generally about  
 25 the personal property tax. They haven't told me

1 A. I think we've covered everything.  
 2 MR. STEWART: I have a couple of questions.  
 3 EXAMINATION

4 BY MR. STEWART:

5 Q. Ms. Sallee, you testified about population  
 6 estimates that you made?

7 A. Yes.

8 Q. And some came from SEMCOG --

9 MR. SMITH: Objection.

10 BY MR. STEWART:

11 Q. -- in a certain period of time?

12 A. Yes.

13 Q. And others you came up with?

14 MR. SMITH: Objection. Leading.

15 THE WITNESS: That's correct.

16 BY MR. STEWART:

17 Q. Are you in a position to testify about the  
 18 City's anticipated population changes by year as  
 19 implied in the 10 and 40-year forecast?

20 A. Yes.

21 MR. SMITH: Objection. Asked and answered.

22 MR. STEWART: Thank you. That's all I have.  
 23 We are we done.

24 MR. SMITH: I assume nobody on the phone has  
 25 anything.

1 what their plan is going forward.

2 Q. Would it be fair to say that you've  
 3 modeled in your revenue forecasts the imposition of  
 4 a new tax that is not in effect yet under current  
 5 law?

6 A. I think the right characterization of what  
 7 I've done is thinking about the probability of  
 8 whether the law goes into effect and then what the  
 9 likely reduction in revenue would be, and taking  
 10 those two factors into account inform the  
 11 adjustment made for the personal property tax  
 12 repeal.

13 Q. And the amount of the reduction in revenue  
 14 depends on what the City ends up doing in the  
 15 future in terms of invoking mechanisms for  
 16 reimbursement; isn't that correct?

17 MR. STEWART: Objection.

18 THE WITNESS: My understanding is that the City  
 19 will be able to levy certain millages to replace  
 20 some of the lost revenue, and I don't know exactly  
 21 what that's going to look like.

22 BY MR. SMITH:

23 Q. Okay. Have we covered all the areas that  
 24 you plan to testify about, or are there any areas  
 25 that we haven't covered?

1 THE VIDEOGRAPHER: Off the record. The time is  
 2 5:24 p.m.

3 (FURTHER DEPONENT SAITH NAUGHT.)

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1 UNITED STATES BANKRUPTCY COURT  
 2 EASTERN DISTRICT OF MICHIGAN  
 3 In re )  
 4 ) Chapter 9  
 5 CITY OF DETROIT, MICHIGAN, ) Case No. 13-53846  
 6 Debtor. ) Hon. Steven W. Rhodes  
 7

8 I, CAROLINE SALLEE, being first duly  
 9 sworn, on oath say that I am the deponent in the  
 10 aforesaid deposition taken on July 24, 2014; that I  
 11 have read the foregoing transcript of my  
 12 deposition, consisting of pages 1 through 333  
 13 inclusive, and affix my signature to same.  
 14

---

CAROLINE SALLEE

15  
 16 Subscribed and sworn to  
 before me this \_\_\_\_\_ day  
 17 of \_\_\_\_\_, 2014  
 18

19 Notary Public

20  
 21  
 22  
 23  
 24  
 25

1 I further certify that the taking of this  
 2 deposition was pursuant to notice and that there  
 3 were present at the deposition the attorneys  
 4 hereinbefore mentioned.

5 I further certify that I am not counsel  
 6 for nor in any way related to the parties to this  
 7 suit, nor am I in any way interested in the outcome  
 8 thereof.

9 IN TESTIMONY WHEREOF: I have hereunto set  
 10 my hand and affixed my notarial seal this 25th day  
 11 of July, 2014.

12

13

14

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16

17 NOTARY PUBLIC, COOK COUNTY, ILLINOIS  
 18 LIC. NO. 084-004143

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1 STATE OF ILLINOIS )  
 2 ) SS:  
 3 COUNTY OF C O O K )  
 4 I, GINA M. LUORDO, a notary public within  
 5 and for the County of Cook County and State of  
 6 Illinois, do hereby certify that heretofore,  
 7 to-wit, on July 24, 2014, personally appeared  
 8 before me, at 77 West Wacker Drive, Suite 3500,  
 9 Chicago, Illinois, CAROLINE SALLEE, in a cause now  
 10 pending and undetermined in the United States  
 11 Bankruptcy Court, Eastern District of Michigan, In  
 12 re CITY OF DETROIT, MICHIGAN.

13 I further certify that the said CAROLINE  
 14 SALLEE was first duly sworn to testify the truth,  
 15 the whole truth and nothing but the truth in the  
 16 cause aforesaid; that the testimony then given by  
 17 said witness was reported stenographically by me in  
 18 the presence of the said witness, and afterwards  
 19 reduced to typewriting by Computer-Aided  
 20 Transcription, and the foregoing is a true and  
 21 correct transcript of the testimony so given by  
 22 said witness as aforesaid.

23 I further certify that the signature to  
 24 the foregoing deposition was not waived by counsel  
 25 for the respective parties.

**Elisa Dreier Reporting Corp. (212) 557-5558  
 950 Third Avenue, New York, NY 10022**

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